











INTERNATIONAL INSTITUTE OF AGRICULTURE  
BUREAU OF ECONOMIC AND SOCIAL INTELLIGENCE

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MONTHLY BULLETIN  
OF ECONOMIC AND SOCIAL  
INTELLIGENCE • • • • •

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37<sup>th</sup>. VOLUME • • • • •

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V<sup>th</sup>. YEAR - NUMBER 1

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• • • JANUARY 1914

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• • • ROME: PRINTING OFFICE OF THE INSTITUTE, 1914 • • • • •



## THE INTERNATIONAL INSTITUTE OF AGRICULTURE.

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The Institute, confining its operations within an international sphere, shall:

(a) Collect, study, and publish as promptly as possible, statistical, technical, or economic information concerning farming, vegetable and animal products, the commerce in agricultural products, and the prices prevailing in the various markets.

(b) Communicate to parties interested, also as promptly as possible, the above information.

(c) Indicate the wages paid for farm work.

(d) Make known new diseases of plants which may appear in any part of the world, showing the territories infected, the progress of the diseases, and, if possible, the remedies which are effective.

(e) Study questions concerning agricultural co-operation, insurance, and credit in all their aspects; collect and publish information which might be useful in the various countries for the organisation of works connected with agricultural co-operation, insurance and credit.

(f) Submit to the approval of the Governments, if there is occasion for it, measures for the protection of the common interests of farmers and the improvement of their condition, after having utilized all the necessary sources of information, such as the wishes expressed by international or other agricultural congresses, or by congresses of sciences applied to agriculture or agricultural societies, academies, learned bodies, etc.



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## Part I: Co-operation and Association

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### LATIN AMERICA.

#### MISCELLANEOUS NEWS.

##### MEXICO.

ASSOCIATION OF THE CHAMBERS OF COMMERCE AND AGRICULTURE. — On the initiative of the National Chamber of Commerce at Torreón, an Association of the Chambers of Commerce and Agriculture of the Republic has recently been founded at Mexico. The effort to give a uniform direction to the agriculture and commerce of the country by means of an agreement among the institutions by which the commercial and agricultural interests of the various regions are protected and developed must be considered as of considerable importance for the economic future of Mexico.

The association is based especially upon the following principles :

1. Study, from the highest and most general point of view, of economic questions, such as irrigation, immigration, export of produce, introduction of new kinds of farming, etc.
2. Participation of all the most important elements of the population in undertakings of general interest and mutual assistance.
3. Interchange of ideas and methods, and possibility of adopting modern ideas in the whole of the country. It cannot be denied that it is highly important to introduce regularity and uniformity into current usages in relation to commercial transactions, and this will be one of the greatest advantages to be derived from the association. It further contemplates the grant of bursaries to young men to enable them to study abroad the most modern commercial and agricultural methods, as well as the foundation of first class commercial and agricultural schools, subsidised by all the Chambers of Commerce and Agriculture.
4. Study of the best methods of production, circulation and distribution within the country, as well as the best means of supervising exportation. The question of sea and land communication and transport is of the

highest importance for the agricultural and commercial development of the Republic; the association proposes to give special attention to these problems, particularly with regard to the possible effect the approaching opening of the Panama Canal may have on them, as Mexico has a coast line of 3,883 miles on the Pacific and the Mexican States on the shores of that Ocean have a population of 5,165,569 inhabitants.

5. Encouragement of solidarity and the destruction of provincial prejudices. With this object the association will hold its annual meetings each year in a different region. At these meetings the questions of greatest interest from the agricultural and commercial point of view will be studied, account will be taken of the work accomplished by each Chamber during the year, the programme for collective action during the coming year will be drawn up and the adhering Chamber selected that is to represent the association for the period.

By means of these meetings the institution hopes to strengthen the bonds uniting the various Chambers, and their members, and put in practice suitable methods in order that good results may be obtained from all the collective undertakings.

#### URUGUAY.

I. — FOUNDATION OF THE FIRST RURAL BANK. — We have already spoken in a previous number of this Bulletin (1) of the difficult situation in which the small farmers and livestock improvers of Uruguay find themselves owing to want of capital. The Government, anxious about the situation, and desiring to introduce agricultural credit on a co-operative basis, has founded a rural credit department at the Bank of the Republic with a capital of 500,000 pesos, to provide cheap credit to farmers associated for the purpose.

The first practical result of this was the foundation of the first Rural Bank of Uruguay by a group of farmers of Ciudad de Melo.

By the law of 1912 for the foundation of rural banks in the country, they may obtain special loans at 4 ½ % from the rural credit department of the Bank.

We think it well also to mention that these banks do not limit their operations to the grant of the credit required by their members, but facilitate the work of production, transformation, preservation and sale of produce derived exclusively from members' farms, as well as the carrying out of agricultural works of collective character.

The Rural Bank of Ciudad de Melo had at its foundation 30 members.

It is to be hoped that all the small farmers of the Republic will imitate this first group and benefit by all the advantages afforded by association.

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(1) Compare *Bulletin of Economic and Social Intelligence*, September, 1913: "The Land Question and Agricultural Credit in Uruguay."

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2. — URUGUAY FARMERS' AND HORTICULTURISTS' ASSOCIATION. — The spirit of association by which European farmers have so greatly benefited is also penetrating among the rural classes of Latin America. One of the most recent manifestations of the movement has been the foundation of a general association of the farmers and horticulturists of Uruguay.

This institution, of which the formation now in course, will soon be an accomplished fact, considering the excellent reception given to it in all the agricultural circles of the country, offers great advantages for the agriculture of Uruguay, as appears from the principal objects it aims at.

Independently of the study and defence of the agricultural and horticultural interests, as well as of the encouragement to be given to this branch of national activity, the Association has the following special aims:

(a) to examine and present, uphold before the authorities and call for the realisation of all legislative reforms, as well as all economic measures, chiefly in respect to the charges by which the small farmer is burdened, the railway and customs tariffs, concessions and rights to stands in markets and at fairs;

(b) to facilitate purchase of manure, utensils, livestock, seeds, improved implements and all requisites for farming and horticulture;

(c) to promote and encourage experiments in cultivation, with manure, seeds and improved implements and all the other means for facilitating labour, increasing production, lowering the cost price and as far as possible reducing the high cost of living in the country districts;

(d) to encourage agricultural education and extend it by means of lectures, shows, publications, etc.;

(e) to encourage the sale of agricultural and horticultural produce;

(f) to occupy itself, finally, with whatever may advance the interests of agriculture and horticulture, especially thrift, assistance, credit and co-operation.

For the realisation of this programme, in addition to its Central Committee of Management, the Association has Sub-Commissions for agriculture, fruit-cultivation, viticulture, agricultural credit, agricultural defence and shows.

The members may be active or adherent. The active members will be the landowners, tenant farmers, farm managers, metayers, day labourers and generally all who work farms either themselves or by means of other persons or who contribute directly to the agricultural and horticultural production with their personal labour or their money.

The adherent members will be the sellers or buyers of implements, manure or agricultural produce, not in the above position.

The capital of the association will be formed by means of members' contributions.

In case of the dissolution of the society, its remaining funds will be devoted to a work of agricultural interest, selected at the general meeting, and under no pretext may they be divided among the members.



## AUSTRIA.

### THE REGIONAL ORGANISATION OF AGRICULTURAL CO-OPERATIVE SOCIETIES.

By DR. OTTO NEUDÖRFER,

Senior Secretary to the General Federation of Austrian Agricultural Co-operative Societies, Vienna.

#### VI. — CO-OPERATION IN THE AUSTRIAN PART OF FRIULI.

##### SOURCES:

- ALMANACCO DEL POPOLO PER L'ANNO COMUNE 1909. Strenna della Federazione dei Consorzi agricoli del Friuli (*People's Almanac for the Year, 1909. Presentation Publication of the Agricultural Co-operative Societies of Friuli*).
- ANNUARI della Federazione dei Consorzi agricoli del Friuli 1907-1912. (Yearbooks of the above Federation, 1907-1912).
- SCHÜLLERN ZU SCHATTENHOFEN (Hofrat Professor Dr. Hermann, Ritter von): Das Kolonat in Görz und Gradisca, in Istrien, in Dalmatien und in Tirol (*The Colonat in the County of Goritz and Gradisca, Istria, Dalmatia and Tyrol*). Vienna, 1909. Hof u. Staatsdruckerei.
- MEYER (Pius): Zur Lage der Lehnbauern im österreichischen Friaul. Ein Beitrag zum Studium der Koloratsfrage (*The Situation of the Tenant Farmers in Austrian Friuli. Contribution to the Study of the Problem of the Colonat*). Goritz, 1909.
- OESTERREICHISCHE LANDWIRTSCHAFTLICHE GENOSSENSCHAFTSPRESSE (*Austrian Agricultural Co-operative Press*).

In respect to its co-operative organization the Austrian Friuli occupies a place apart. This little district presents certain peculiarities from the point of view of co-operation, and a remarkable difference from the other regions of the Monarchy both as regards the origin and the application of the co-operative idea.

Austrian Friuli, by which name the Italian part of the Country of Goritz and Gradisca is called, forms a large plain which, except for the northern hills of Collio and the marshy districts of the South, is fertile and well cultivated. The farmers cultivate various kinds of plants principally vines, mulberry trees and wheat. In spite of the abolition of the charges on land and the base tenancies, there still exists to day the *colonat*, a special kind of lease originating in the Middle Ages which, though it has now the appearance of a free contract, imposes the heaviest burdens on the peasant and robs him of all the profit of his hard work. "The Italian portion of the Country of

Goritz and Gradisca," says von Schullern in the work above cited, "shows us the *colonat* in its most ancient form and so widely extended that it is of the greatest importance for the whole economic and social life of the country and it is very easy to understand that the first appeals for rescue have come from these districts. Here the evils of the system are most apparent; and the more so, as we find, together with stipulations unworthy of modern times, forms of contract not only perfectly acceptable, but very suitable for all parties, to which the prosperous condition of the farm bears witness. On studying the matter more closely we find that the essential defects of the ancient system of *colonat* are the uncertain or excessively brief period of the contract; the absence of any guarantee the tenants have of eventual compensation for improvements on the farm, but rather almost the certainty of not receiving any; and finally and this is a peculiarity of the region, — the existence of base service (*Robotverpflichtungen*); the effect of all which, wherever these defects prevail, is most clearly manifested in the inadequate working of the farm, defective methods of cultivation, a very low level of education and so a situation not only disadvantageous for the farmers, but even for the proprietors themselves."

Generally speaking we may distinguish two classes of *colonat* in Friuli. First of all, that in which the land with the buildings is let for a fixed rent, all taxes being paid by the tenant. The second class includes all forms the conditions of which, taken generally, correspond with the system of medieval *colonat*. The use of the land and buildings — the latter generally in extremely bad repair, — is granted to the peasants in return for compensations in kind (cheese, silk, poultry, eggs, fruit, wine, cartage, personal service etc.). To this is usually added the payment of a certain sum in money and of all the taxes. The landowner has, besides, the right to any compensation granted for loss through hail, inundations etc. Besides these heavy charges, the peasant must undertake other burdensome duties. He must first of all engage to repair serious damage done to his crops by hares, peasants and any other game the landlord reserves, which may devastate the maize plantations and vineyards. The landlord has exclusive right to hunt and shoot. The peasant is strictly forbidden, under penalty of heavy fines, to remove or hunt game. Contraventions are severely punished and entail cancellation of the contract of lease. By definite clauses in these contracts the landlord is enabled to evict the tenant and his family at any moment.

It is not astonishing that under such conditions the farms have suffered. The burdens under which the population lived prevented the introduction of all modern and scientific methods of labour. At the same time, there was also unrestricted usury. The peasant, consequently, could not better his situation by borrowing money.

A certain number of energetic priests united in 1895, with the object of finding a remedy for this insupportable situation. The successful results obtained by co-operation in other countries, such as Italy, Germany, Switzerland and especially Upper and Lower Austria, induced them to make a trial of co-operation also in Friuli. Model rules were drafted for

Raiffeisen banks and livestock insurance associations, which were soon founded on the initiative of these priests in various localities, first of all at Capriva, Turriaco, Staranzano, Vermiliano and Grado. In 1899, four Raiffeisen banks, two insurance associations and a labourers' co-operative society united to form a federation, under the name of "*Federazione delle casse rurali e dei sodalizi cooperativi per la parte italiana della provincia di Gorizia e Gradisca*," with headquarters at Goritz. It is to be observed that, in contrast with all the other Austrian co-operative federations, this one started with a confessional basis, as it is laid down as one of its fundamental rules that the co-operative societies must maintain Christian principles and provide for the moral and material improvement of the conditions of existence of each of their members. The rules impose on the members the duty of scrupulously maintaining the Catholic spirit of the institution. From the date of the formation of the federation the advance of co-operation was rapid. There were:

In the Year	Raiffeisen Banks	Livestock Insurance Co-operative Societies	Co-operative Societies for Purchase and Sale	Other Co-operative Societies
1898 . . . . .	7	6	—	2
1899 . . . . .	8	9	—	4
1900 . . . . .	8	10	—	6
1901 . . . . .	8	13	—	6
1902 . . . . .	9	15	2	6
1903 . . . . .	12	15	2	11
1904 . . . . .	13	16	2	11
1905 . . . . .	16	16	3	11
1906 . . . . .	19	18	3	11
1907 . . . . .	28	18	4	18

Thus at the end of 1907 there were altogether 74 co-operative societies working with a total number of 6,800 members.

On October 13th., 1907, the organization of the federation underwent a radical change, being transformed into a limited liability association in the sense of the law on co-operative societies, under the name of "*Federazione dei consorzi agricoli del Friuli*," with headquarters at Goritz. This transformation was due to the rapid development of co-operation in Friuli to which the former legal form of the federation was no longer suited. The desire of assimilating the Friuli federation to the other federations of Austrian co-operative societies may also have contributed to the change.

According to the new rules, one of the essential objects of the federation is the constitution of a clearing house for the various Raiffeisen banks adhering to it; these banks are bound to pay over to the federation all their

available money and to borrow exclusively from the federation when in need. The new rules also provide for the comprehension of a goods business in the work of the federation. Since this change, co-operation has made very rapid progress, and to day the whole of Austrian Friuli is covered with a close network of agricultural co-operative societies. At the end of 1912, there were 99 societies adhering to the federation and they had altogether 9,600 members.

(1)	Raiffeisen Banks . . . . .	34
(2)	Agricultural Distributive Co-operative Societies . .	17
(3)	Co-operative Societies for Purchase and Sale . .	10
(4)	" Dairies . . . . .	2
(5)	" Societies for the Improvement of Vine-yards . . . . .	2
(6)	" Fishing Society . . . . .	1
(7)	" Sericultural Society . . . . .	1
(8)	" Livestock Insurance Society . . . .	21
(9)	Other Co-operative Societies . . . . .	11

A very important department of the work of the federation is the scientific improvement of silkworm breeding, which is carried on very extensively in Austrian Friuli. The federation, aware that the period of incubation is the most important in silkworm breeding, as on the incubation the success of the silk crop depends, in good time decided on giving its attention to this branch of agricultural industry. The federation, first of all, caused the formation of an association of silkworm breeders among the peasants; this was afterwards transformed into a co-operative society of silk producers and is working satisfactorily. The object of the society is to purchase eggs of excellent quality and to provide for their scientific incubation and the collective sale of the cocoons.

The federation does not confine itself to this; with the help of its general secretary, who had had the opportunity of studying silkworm breeding, both theoretically and practically for many years, it organized the collective purchase of silkworm eggs, proceeded with the installation of incubation chambers and ovens for drying the cocoons, undertook instruction in the art of breeding silkworms and finally organized the collective sale of the cocoons.

The great success obtained in recent years in other regions by the use of incubation chambers for the scientific rearing of silkworms determined the federation to proceed with the installation of such chambers in the interest of silkworm growers. In 1907, the first was fitted up at Lucinico, under the management of a pupil of the Trent *Landeskulturrat* Institute and the immediate supervision of the federation, which provided all the necessary implements. In the following years, similar chambers were installed at Ajello, Capriva, Mariano and Romans; there are now eight incubation

chambers, no longer dependent on the federation, but worked by the silk producers' co-operative society. A calculation made by Signor Pius Meyer, general secretary of the federation, shows the material advantages obtained by improved silkworm breeding. According to it, 3,000 ounces of silkworm eggs gave under the old unscientific system, on an average, 40 kg. of cocoons each, which at the average price during the last ten years might be sold at 2.2 kr. per kg., that is for a total sum of 264,000 kr. Experience shows that by the scientific method, an average of 60 kgs. of cocoons may be obtained per ounce. These cocoons are besides quite uniform and perfect in structure, guaranteeing a greater yield of silk. At the average price of 2.8 kr. per kg., from 3,000 ounces of eggs 420,000 kr. would be obtained, that is a gain of 156,000 kr., nearly twice as much as under the old system.

In 1908, the federation determined to arrange ovens for drying cocoons. The want of these had long been felt by the peasants of Friuli. These ovens, by means of which the larvae are killed in the cocoons, assure the preservation of the latter for an indefinite time, that they may be offered for sale at the proper moment, whilst, for want of ovens, the peasants used to have to sell their cocoons at any price offered by the manufacturers, before the moth appeared, and were taken advantage of by the middlemen. First of all, a drying room with three ovens was installed at Romans, two of them on the horizontal system of the Brothers Menestrina and one on the Chiesa system. The two first are equally suited and largely used for desiccation of maize and wheat, by which means the federation has indirectly contributed to the fight against *pellagra*, which was very widely spread in that region. The ovens for drying cocoons have had the effect of considerably raising the prices and ensuring the stability of the market.

With regard to the goods business, the federation undertakes the purchase of articles required by the adherent societies for their account. It also assists them in commercial business, represents them with purchasers, customers and the authorities, settles disputes, gets analyses made and serves as intermediary in cases of claims to be made against the carrying trade. In 1912, the federation served as intermediary in goods business for the total amount of 84,751 kr.; this business was done in superphosphates, sulphuric acid, sulphur, basic slag, oilcake, wine, wheat, oil, agricultural machinery and implements.

From the start, the federation considered it as one of its principal duties, as far as possible, to enable poor but hardworking tenants themselves to become landowners in the region and assist them with its advice in their business. The disadvantages mentioned above under which the Friuli tenants suffer have been increased by unrestricted speculation in land, which is assuming more considerable proportions and is most of all indulged in by foreigners. These speculators prevent the peasants from buying the land immediately from the landowners at fair prices, while they themselves realise enormous profits, by which agriculture suffers.

Subdividers of landed estates (*Güterschlächter*) artificially raise the price of land to a considerable degree, ruin an incalculable number of

persons and often oblige entire families to emigrate. The federation is doing its utmost to bring a remedy here. In the last ten years, landed estates have been cut up and divided among tenant farmers at Mossa, Fiumicello, Sanpiero-disonzo, Cassegliano and Aquileja. In the two last of these communes the federation was enabled, thanks to assistance from the I. and R. Department of Agriculture, to facilitate the sale of land to more than 90 farmers, thus assuring them a certain independence. In 1909, the federation purchased a landed estate (entailed) at Scodavacca, which was in danger of falling into the hands of speculators, in order to subdivide it and transfer the holdings to peasants, with the assistance of the I. and R. Department of Agriculture and a Viennese Bank. The estate was 300 *campi* in area (1 *campo* is about 3,600 sq. metres), and consisted of fields and meadows and there were 11 tenants' households on it. The allotment gave the federation much trouble, but, in spite of all difficulties, was brought to a successful conclusion. Thirteen holdings (land and buildings) of from 1 to 12 hectares each were sold to experienced farmers. The federation itself has undertaken the administration of the manor house and outhouses, as well as from two to three ha. of garden for a period of ten years and during that time it will supervise the farmers and give them assistance; the portion of the estate above mentioned of which the federation has reserved to itself the management will be utilised for horticulture and poultry and rabbit improvement, so as to show the old tenants, now become small landowners, the considerable yield to be obtained from these agricultural industries.

Thus, the federation has perfectly realised the first part of its programme. The second part consists, as has been said, in the supervision to be exercised over the peasant land holders in order to ensure the maintenance of their holdings and protect them from losses. For this purpose, during the next ten years it will place at the disposal of the peasants storehouses for grain, vats for desiccation of maize, cellars for the fermentation and preservation of wine, as well as the necessary implements and machinery. The local Raiffeisen bank will make provision for the loans and savings business; a co-operative purchase and sale society will provide those concerned with farm requisites, and will act as intermediary for the sale of milk, fruit, vegetables etc. and all these undertakings will be supervised by the federation. In winter, lectures will be arranged so that the peasants may be given the knowledge they require in order to establish themselves in their new position, by no means an easy matter for all, and derive the greatest profit from it.

Thus, not only has the federation contributed to a large extent towards co-operation and home colonisation, but it has also given efficacious aid in improving the material conditions of existence of the small farmers. The agricultural co-operative societies are still the pivot of its action. The Raiffeisen banks serve as savings banks for the peasants, accustom them to a reasonable investment of their surplus funds, and ensure them against the danger of being unable to fulfil their engagements at critical moments. These banks grant loans on produce, if the peasant, on account of the un-

favourable situation of the market, cannot immediately sell at a fair price and their general meetings have a generally instructive and salutary effect on the peasants. The federation, by creating two co-operative dairies, has placed them in a position to sell their milk easily and at good prices. The dairies stimulate them to improve their livestock, to increase it and to transform the less productive vineyards into pasture land.

The federation, by means of the institution of a cellar at Scodavacca and a warehouse for sales at Goritz, has put the peasants in a position to sell their wine at profitable prices. Silk cocoons, which represent for the small farmer a source of revenue of the first importance, are sold by the federation to the silk mills. The co-operative societies for purchase and sale provide the peasants with artificial manure, sulphur, sulphuric acid, cattle foods etc; and arrange the sale of their members' agricultural produce, thus putting a stop to usury and other evils which tended to reduce the income from the farms. The numerous livestock insurance cooperative societies are governed by rules approved by the State, save the peasants from pecuniary loss in case of the death or compulsory slaughter of their livestock, and incite them to give their livestock better treatment.

Finally, the peasants' and labourers' associations have to make provision for education in order that the instruction of the people may be advanced. Through the medium of these societies, the federation can more easily supervise the peasants who have become small landlords, incite them to work and instruct them.

Thus, the federation, though with limited material resources at its command, has largely contributed, through the disinterestedness and indefatigable persistence of its officers, especially Monsignor Faidutti, the president, and Signor Meyer, the general secretary, to the improvement of the conditions of the existence of the peasants, who, a few generations ago lived in great misery.

Certainly, there is still much to be done; but the results up to the present obtained justify the hope that in the near future the federation will attain its noble end, that is to say the personal emancipation and the economic independence of the peasants.

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## BELGIUM.

### THE LEGAL REGIME OF THE COMMERCIAL SOCIETIES AND THE LAW OF MAY 25TH., 1913.

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LA NOUVELLE LOI BELGE SUR LES SOCIÉTÉS COMMERCIALES. (*The New Belgian Law on Commercial Societies*). Moniteur des Intérêts Matériels. Brussels, Nos. 72, 75, 78; June 15th; 22nd. and 29th., 1913.

Before the coming into force of the new Belgian law of May 25th., 1913, on commercial societies, these societies were regulated by the laws of May 18th., 1873, December 26th., 1881, May 22nd., 1886 and May 16th. 1901. After 1903 it was seen to be necessary to introduce some amendments into these laws and it was just in that year that M. Picard made a proposal in the Senate for the reform of the legal régime governing the commercial societies. The principal object of this proposal was to prevent the faults ordinarily committed in the formation and working of the societies by the founders and managers to the detriment of the public, who are often victims of their own inexperience. But the Government, considering this bill incomplete and desiring on the other hand to introduce into the 1873 law a series of amendments, in conformity with a definite plan, in February, 1904 presented on its own account another bill, partly inspired by the conclusions



of an extra-parliamentary commission, instituted in 1894 for the study of the question, and partly by various proposals presented in Parliament and foreign legislation. This bill, discussed and approved by the Senate in 1905 afterwards communicated to the Chamber and referred by it to special commissions for study, was discussed by it towards the end of 1912 and the beginning of 1913 and became law in May, 1913.

The amendments introduced by this law into the previous régime also made it necessary to co-ordinate the former provisions with the new ones and this was sanctioned by Royal Decree of July 22nd., 1913.

Most of the new provisions refer to the limited liability societies and in less degree to the other classes of societies. We, however, think it well to take this occasion to state briefly the fundamental principles regulating the various classes of commercial societies in Belgium and we shall do so in the following paragraphs.

#### § 1. GENERAL PROVISIONS GOVERNING SOCIETIES.

It should first of all be said that the provisions governing societies contained in the above laws and divided into twelve sections, form Part IX of the 1st. Book of the Commercial Code. This Code, promulgated in 1807, is now to a large extent abrogated and substituted by special laws.

The provisions of a general character are contained in the first section and may be summarised under the following heads.

Six classes of commercial societies are recognised, namely: societies of collective title, ordinary societies *en commandite*, limited liability societies, societies *en commandite* limited by shares, *co-operative societies* and *credit unions*.

Each of these societies has its civil personality, distinct from that of its members.

There exist also temporary and profit sharing commercial associations which the law does not recognise as civil persons and the existence of which is established by registers, correspondence and eventually by witnesses.

As regards the form of the contract of the society, societies of collective title, ordinary societies *en commandite* and co-operative societies must, in order to be legal, be constituted by special deeds, either public or with private signature, in the latter case conforming with article 1,325 of the Civil Code. This article lays it down that private deeds containing reciprocal agreements must, in order to be valid, be drafted in as many original copies as there are parties with separate interests, a single copy sufficing for all persons who have equal interests. In the case of *co-operative societies*, duplicates suffice.

The limited liability societies and the societies *en commandite* limited by shares must always, however, be constituted by public deed.

In the case of societies of collective title and ordinary societies *en commandite*, an abstract of the deed must be published. It must contain the

precise designation of the members jointly and severally liable, the title of the society for commercial purposes, indication of the members entrusted with the management and with right to sign for the society, indication of the amounts contributed or to be contributed *en commandite*, precise indication of the members who must contribute these amounts, with indication of the obligations of each; the date at which the society is to commence working and that at which it is to cease to exist.

On the other hand, the deed of constitution of the limited liability societies, the societies *en commandite* limited by shares and the co-operative societies is published in full.

To be valid, any alteration in the above deeds must be made in the manner required for the deed of constitution.

Publicity must also be given, in order that they may be valid against third parties, to acts modifying the provisions the publication of which is ordered by law, as well as to appointments, resignations and dismissals of managing directors, commissioners and liquidators of limited liability societies.

Previously, this formality was only required for the deed of appointment of directors, but it has had to be recognised that the public has an interest in being advised not only of the appointment, but also of the resignation and dismissal of directors, that is to say of the acts terminating their functions. Their powers are defined in the deed of constitution and in the later deeds for the carrying out of the deed of constitution.

Other provisions refer to the manner of delivery and publication of the above documents.

Let us now examine the fundamental rules regulating the various classes of societies in all their business, following the order given them in the Code and naturally taking into account the provisions of the new law of May 25th., 1913.

## § 2. SOCIETIES OF COLLECTIVE TITLE.

Under this head are included societies formed between two or a larger number of persons for the exercise of commerce in the name of a firm. Only names of members may be included in the title of the firm.

The members of a society of collective title are jointly and severally liable for all engagements entered into by the society, even if signed by only one of them, provided he has the right to sign for the society.

## § 3. ORDINARY SOCIETIES *EN COMMANDITE*.

The ordinary society *en commandite* is formed by one or more active members jointly and severally liable and one or more members who simply invest their money in the firm and are sleeping partners.

In this case, the title of the firm must of necessity include the name or names of one or more of the active members; the names of the sleeping partners cannot appear.

When there are several members unlimitedly liable, the society is at once, with respect to them, one of collective title, and, with respect to the sleeping partners, a society *en commandite*.

The sleeping partner is only liable for the debts and losses of the society to the amount for which he has engaged. Yet he may be obliged to restore the interest and dividends he has received, if they were not paid out of the real interest of the society, in which hypothesis, if fraud, dishonesty or negligence is proved against the managing director, a sleeping partner may prosecute him for repayment of the amount he should return.

The sleeping partner may not, as such, perform administrative acts, even by proxy. Any act, in contravention of this prohibition, renders him liable towards third parties for all the obligations of the society. On the other hand, the commercial opinions, advice, inspection and supervision, as well as the authorizations given to the managers for acts exceeding the limit of their powers, create no obligation for the sleeping partner.

In case the managing director dies, becomes legally incapable or is otherwise prevented from acting, if it is established in the deed of constitution that the society shall, notwithstanding, continue its existence, the president of the Commercial Court, when the rules do not otherwise provide, may, at the request of those concerned, appoint an administrator to deal with urgent business and the work of ordinary administration. Any interested party may make objection to this order. The objection must be notified both to the person appointed and the person asking for the appointment.

#### § 4. LIMITED LIABILITY SOCIETIES.

As we have said, the reform of the legal régime of the commercial societies, in accordance with the law of May 25th, 1913, principally affected the limited liability societies, which, in the country we are dealing with, are of considerable importance. And, as studies are being made with regard to the same reform in other countries, it seems to us advisable to consider the manner in which it was carried out in Belgium.

1. *Nature and Title of the Limited Liability Societies.* — The limited liability society is characterized in the first place by the limited liability of all the members, up to a given amount, and by the fact of the names of partners not appearing in its title. It is given a special name or is designated in conformity with its object. This name or designation must be different from that of any other society.

2. *Formation of the Society.* — To form a limited liability society it is required: (1) that there be at least seven members; (2) that the capital be entirely subscribed; (3) that at least a fifth of each share (*action*) be paid up in cash or by means of a sufficient contribution. The law was formerly

satisfied with one tenth. It must be proved by an authenticated deed that these conditions have been observed.

Further: to prevent abuses of frequent occurrence in the formation of societies, above all through the exaggerated value given to contributions, in meeting the claims of which the future of the undertaking is sometimes sacrificed, wise precautions have been taken by the framers of the Belgian law, in the provision laying down that the deed of constitution of a society must henceforth contain:

(1) the specification of all contributions other than those in money, the conditions on which they were made, and the name of the contributor;

(2) The transfers of which the real estate contributed was the subject in the five preceding years, and the conditions under which it was transferred;

(3) The mortgages on the real estate contributed;

(4) The conditions to which the realisation of the rights contributed optionally is subject;

(5) The reasons for which special advantages are granted to any of the founders, and the amount of these.

Article 40 bis of the new law provides for further guarantee of the reality of the contributions at least in those cases in which securities are given in return.

This article says: "Shares (*actions*) representing contributions not made in money and any security directly or indirectly giving a right over these shares, shall only be negotiable ten days after the publication of the second yearly balance sheet. Until the expiration of this term, they can only be transferred by public deed or private writ, of which notice has been given to the society within a period of a month, under pain of nullity of the transfer. Deeds relating to transfer of these shares shall indicate their nature, date of creation and the conditions laid down for their transfer."

Up to the present, the promoter of a society, seeking unlawful gains, obtained in exchange for his contributions an extraordinary quantity of securities which he hastened to realise, taking advantage of the favourable current, easily produced by astute propaganda in favour of the foundation of the society. Henceforth, the above provision will prevent his negotiating these securities, until after a minimum period of two years, when the financial results of the society have established the real value of the shares.

The new law, like the previous one, contemplates two modes of forming societies. The first, the most frequent, by means of one or more authenticated deeds, to which the members are parties, either personally or by proxy. The parties to these deeds shall be considered founders of the society. The other is the constitution of the society by subscription, preceded by an authenticated public deed, under the name of prospectus.

The same formalities and conditions as are required for the foundation of the societies are also necessary in the case of each increase of capital. The rules therefore can no longer, as was frequently the case, authorize the board of management to increase the capital, but must in this respect follow regulations definitely laid down.

Finally, as limited liability societies are most usually founded by authenticated deed to which a small number of founders are parties, subscribing all the shares, with the intention of later on offering them for public sale, the law, to prevent the evils consequent on this, has had recourse, in the interest of the public, to the security offered by wide publicity. Article 34 bis of the law of May 25th., 1913 (art. 36 of the Commercial Code) prescribes as follows:

"The public exhibition, offer and sale of shares (*actions* or *parts*), or securities, of whatever title, must be preceded by the publication, in the supplement to the *Moniteur* of a notice dated and signed by the vendors, together with the names, surnames, profession and residence of those signing;

(1) the date of the deed of constitution of the society, and of all deeds amending the rules and of their publication;

(2) the object of the society, the share capital and the number of shares;

(3) the amount of capital not paid up and that still to be paid on each share;

(4) the composition of the boards of management and supervision;

(5) the declarations required as above in relation to contributions;

(6) the last balance sheet, and the last profit and loss account or statement to the effect that the latter has not yet been published.

The publication in question must be made at least ten full days before public exhibition, offer or sale.

3. *Shares and Transfer of Shares.* — The capital of the societies consists in shares (*actions*) on which their value may or may not be shown. Independent of the shares (*actions*) representing the capital of the society, others (*titres de participation*), may be issued which shall entitle to rights laid down in the rules.

The shares (*actions*) may be divided into *parts*, of which a certain number shall confer the same rights as the *action*. Both *actions* and *parts* bear the number of their issue.

Distinction is made between personal shares, the ownership of which is established by means of an entry in a special register kept at the head quarters of the society and transfer of which is effected by means of a declaration entered in the same register, dated and signed by the transferer and the transferee; and shares to bearer, bearing the signature of at least two managers, and transferable by means of simple delivery of the title.

The shares (*actions*) are personal until fully paid up; the owners of shares (*actions* or *titres*) to bearer may, at pleasure, demand their conversion, at their own expense to personal *actions* or *titres*.

Lastly transfer of shares is only valid after the definite constitution of the society and payment of the fifth of their amount.

4. *Management and Supervision of Limited Liability Societies.* — These societies are managed by persons appointed for a time, who may be dismissed, and receive remuneration or not, and, unless the rules make provision otherwise, have power to perform any act in connection with the manage-

ment and any legal action in the name of the society. But in so doing, they assume no personal liability.

They must be at least three in number. They are appointed at the general meeting of shareholders and in the first instance by the deed of constitution of the society. The term of their office may not exceed six years, but they may be re-elected, unless the deed of constitution makes other provision.

Each manager must deposit as security a certain number of shares, established in the rules. These shares must be personal.

The daily despatch of business as well as the charge of representing the society may be delegated to directors, representatives etc...whose appointment, dismissal and powers are regulated by the rules.

The supervision of the societies must be entrusted to one or more commissioners, members or not, elected at the general meeting of shareholders for a period not exceeding six years, and also bound to give security in shares. They have unlimited right to supervise and inspect all the work of the society. Every six months the board of management submits to them a statement of accounts.

Further, by the new law, the commissioners may obtain the assistance of an expert, approved by the society, for the examination of the books and accounts. If an agreement cannot be come to in regard to the choice of the expert, he shall be appointed by the president of the Commercial Court.

This provision is an appreciable advance on previous legislation, under which it often happened that the commissioners were unable to carry out their mandate properly, owing to their inexperience.

(5). *General Meetings.* — The general meeting of shareholders has the most ample powers for accomplishing or ratifying acts affecting the society. Unless otherwise prescribed, it has the right to amend the rules, without, however, being able to change the essential object of the society. However, the meeting itself cannot lawfully decide on proposals for the amendment of the rules, if the substance of these proposals has not been specified in the agenda and if the shareholders present do not represent at least half the capital of the society. No increase or reduction of the capital may be decided on without the observance of the conditions laid down for the amendment of the rules.

Finally, a new and important provision is that the right to vote conferred by shares not paid up shall remain reserved, until the contributions regularly demanded and due are paid.

6. *Balance Sheets.* — In the reform with which we are dealing, the framers of the law concerned themselves greatly about the balance sheets which ought faithfully to reflect the situation of the societies. The matter gave rise to long discussions in both the Chamber and the Senate. Many would have liked to insist on a uniform model for all the societies, to ensure clearness. But in the end the idea of so rigid a rule was renounced, as it could not have been applied in every case. The new law, therefore, limits itself to requiring that the balance sheet shall show separately the immobil-

ised and realisable credits, the society's debt towards itself, its engagements, its mortgage debts and debts not secured on real estate.

The amendments for a further development of the balance sheet, by the introduction of details meant to give a precise idea of the various items forming the credits, were rejected. And those which aimed at obliging the societies to publish the list of their bills and acceptances suffered the same fate. Publicity of this kind might in fact have led to inconveniences. Nevertheless, the law attempts, by other clauses which the space left to us does not permit of our reproducing, to provide so that the shareholder may inform himself as to the most important of these bills and acceptances.

*7. Issue of Bonds.* — The innovations introduced by the new Belgian law on commercial societies in respect to bonds must be counted among the most important and the most successful. These bonds are generally issued by limited liability societies after their definite constitution and have the character of real liabilities guaranteed by the share capital. The law has shown on this occasion special solicitude for the interests of the bondholders, hitherto somewhat neglected.

In fact, to protect them from disagreeable surprises and provide them with the means of effectively defending themselves, a series of provisions has been introduced, inspired by the following four classes of ideas: (1) wide publicity given to the issue and sale of the bonds; (2) special indications to be given on the bonds; (3) issue of bonds on mortgage; (4) organisation of the general meeting of bondholders.

Art. 68 indeed prescribes a system of publicity for the issue and sale of bonds similar to that we have mentioned for shares.

The provisions with regard to mortgage bonds are specially interesting.

Let us say, in the first place, that, according to Belgian law, mortgages can only be passed in favour of a definite individual, a person, physical or legal. Consequently, the holders of bonds, that is to say of credit securities not naming the holder, were up to the present without this precious guarantee. The new law, by a wise provision, based on foreign laws, has extended the advantages of the mortgage bond to the bonds of the commercial societies.

It, in fact, establishes that a society may mortgage real estate to guarantee loans it contracts under form of issue of bonds. Registration is made in favour of the whole group of bondholders, the name of the creditor being substituted by that of the securities representing the credit guaranteed. The mortgage takes the place due to it by date of entry, without the date of the issue of the bonds being considered. The entry must be renewed by the managers on their responsibility before the expiration of the fourteenth year. If the renewal is not made by the member, any bondholder has the right to make it.

But perhaps the best guarantee the new law offers the bondholders is the power it grants them of assembling for the defence of their common interests and discussion with the society in general meeting where they are

able, according to the forms laid down, to take decisions, which are fully binding and which the meeting may order its officers to carry out.

The law lays down in fact that the board of management and the commissioners may call a general meeting of bondholders, and that they are bound to do so at the request of a number of bondholders possessing bonds representing one fifth of the amount in circulation.

This general meeting has the right : (1) to receive depositions for the purpose of according the bondholders special guarantee, or modifying or cancelling guarantees previously established; (2) to postpone the date of maturity of one or more classes of interest, to consent to the reduction of the rate of interest or the modification of the conditions for payment ; (3) to prolong the period for extinction of debt, to suspend the payment to sinking fund and to modify the conditions of payment ; (4) to allow the credits due on bonds to be substituted by shares (*actions*) ; (5) to decide upon action for the defence of the common interest ; (6) to appoint one or more officers to execute the decisions taken in accordance with numbers 1 to 5, and represent the body of bondholders in all suits relating to the reduction or cancellation of mortgages registered.

The decisions of the meeting shall be binding if approved by holders of as many bonds as are required to make up two thirds of the amount in circulation, in the cases contemplated under nos. 1 to 5, and by a mere majority in the case contemplated in no. 6.

At the suit of those concerned, a curator shall be appointed to represent the whole body of bondholders in proceedings in connection with the paying off of a mortgage or the expropriation of the real estate mortgaged. The appointment is made by the president of the Civil Court.

Limited liability societies may not issue bonds to be redeemed by being drawn for, at a rate above the rate of issue, unless the bonds bear interest at least of 3 %, are redeemable at the same amount and that the yearly instalments of sinking fund and interest remain invariable for the whole period of the loan.

The amount of these bonds may in no case exceed that of the paid up capital.

Besides, there is always a condition left to be understood in contracts of loans realised under the form of issue of bonds, in case one of the parties does not fulfil his engagements : in that case, the contract is not cancelled of itself, but the party suffering by the breach of contract may force the other to keep his engagements or may ask for cancellation.

#### § 5. SOCIETIES *EN COMMANDITE* LIMITED BY SHARES.

These societies differ from ordinary societies *en commandite* in that their capital is divided into shares, bearing signature of the managers and two commissioners. Each society has a title consisting of the names of one or more responsible members, to which a special designation may be



added, but in that case, it must always be followed by the words «society *en commandite*, limited by shares».

Although it has members whose liability is unlimited, this class of society in general conforms to the rules governing limited liability societies examined in the preceding section. Thus we shall not delay over it.

#### § 6. CO-OPERATIVE SOCIETIES.

According to the law, the co-operative society is one "composed of members whose number and contributions are variable and whose shares (*parts*) can never be transferred to others". Yet it must have at least seven members. These may be jointly and severally liable, or individually to an unlimited degree or up to a fixed amount.

The co-operative society has not a title in which members' names appear, but a special designation.

The deed of constitution must contain, to be valid, the following particulars: (a) the name and head quarters of the society; (b) the object of the society; (c) the precise indication of the members; (d) indication of the way in which the share capital is made up and its minimum amount.

The deed must further show: (1) the term for which the society is founded, which may not exceed 30 years; (2) the conditions for admission, withdrawal or expulsion of members, as well as those for the return of contributions; (3) everything relating to the direction, supervision and working of the society (there need be only one managing director, who need not belong to the society); (4) the rights of members, the mode of calling the meetings, the majority required for passing measures; (5) the manner of distributing the profits and losses; (6) the liability of members, that is, whether they are liable to the extent of their whole assets or only up to a certain amount.

If the rules do not contain information on the above points, the following regulations shall apply: (1) the term for which the society is formed shall be 10 years; (2) the members shall have power to leave it, and can only be expelled for non-fulfilment of the contract binding them to the society; the general meeting shall decide upon the admission and expulsion of members and shall authorize the return of contributions; (3) the society shall have one manager and be supervised by three commissioners appointed as in limited liability societies; (4) all members shall have equal right to vote at the general meeting, and the decisions shall be taken in conformity with the rules in force in the case of limited liability societies; (5) the profits and losses shall be divided every year among the members, half in equal proportion, half in proportion to their contributions; (6) the members shall be all liable jointly and severally.

Every co-operative society must, further, keep a register, numbered and initialed, without expense, with, on its first page, the deed of constitution, and on the following pages: (a) the name, profession and residence

of the members; (b) the date of their admission, voluntary resignation or expulsion; (c) the account of the amounts paid by each or withdrawn by him.

Every six months the director of the society must deposit with the registrar of the Commercial Court a statement giving the name, profession, and residence of all the members, in alphabetical order. The public may consult the document free of charge.

The rights of each member are represented by a certificate made out in his name, giving the name of the society, the name, condition and residence of the owner and the date of his admission into the society; the whole signed by the member himself and by the officer entrusted with the management of the society authorized to sign for it. This certificate further gives, in order of date, the various payments made by and to the holder of it. These annotations are, according to the circumstances, signed by the society or the members, and serve as receipts. On the certificate, itself, which is exempt from stamp and registration duty, the rules of the society are reproduced.

Certain guarantees are required from the co-operative societies, as well as from the limited liability societies. These are the annual taking of stock, the formation of a reserve fund, the insertion, in full, on all documents of the words "co-operative society", the obligation to deposit every six months, as above stated, the lists of members as well as the balance sheets with the registrar of the Commercial Court, within a fortnight from date of their approval. Further, the directors must, within a week from their appointment, deposit with the same registrar an abstract of the deed by virtue of which they discharge their functions.

#### § 7. CREDIT UNIONS.

By law of May 25th., 1913, the provisions relating to Credit Unions, in the special law of May 16th., 1901, form a new section, the VIIth. of Book I, Part IX, (Of Societies) of the Commercial Code. We must understand under this name, "societies, the special object of which is to obtain capital for their members by means of discount." They have their special names, to which are added the words "Credit Union", and they conform to most of the rules on co-operative societies dealt with above.

## RUSSIA.

### CO-OPERATION IN RUSSIA.

*By S. de BORODÁRVSKY, Assistant Manager at the Department of Commerce and Industry at St. Petersburg.*

The co-operative movement in Russia began in 1865, when the first loan and savings association and the first distributive society were founded. But only in the last ten years have the various forms of co-operation developed to a considerable degree. In proof of this, we reproduce the following table in which the number of the co-operative institutions in 1904 is compared with that in 1913.

Institutions	Number of Co-operative Societies, excluding those of Finland.	
	1904	1913
Credit Co-operative Societies (Russian System) .	378	9,200
Co-operative Loan and Savings Societies (Schulze Delitzsch System) . . . . .	852	3,300
Distributive Societies. . . . .	930	7,500
Agricultural Societies . . . . .	700	4,000
Co-operative Agricultural Societies . . . . .	75	900
" Societies for Production . . . . .	70	600
" Granaries . . . . .	—	500
" Dairies . . . . .	80	2,500
	3,085	28,500

In order to obtain a clear idea of the present state of co-operation in the whole of Russia, we must bear in mind the fact that in Finland there are more than 2,000 co-operative associations with no less than 250,000 members. About a thousand of these are co-operative credit societies; almost 400 are co-operative dairies; 200 are co-operative societies for the use

of agricultural machinery etc. Altogether, therefore, there are now in Russia 30,500 co-operative societies.

However, Russia comes second among the countries of the world in regard to the number of its co-operative societies, Germany taking the first place. So, we observe to-day in the various classes of the population, above all in the agricultural class, an awakening to the sense of common interests and the idea of self help. There are in the country districts many people of intelligence, on whose initiative various co-operative institutions have been founded. Add to this that the governing classes have clearly learned, in the last ten years, the necessity of contributing to the development of co-operation. In proof of this it is enough to mention the recent laws and provisions relating to co-operation. These are the following: (a) laws on credit co-operation, of the years 1895, 1904, and 1910; (b) model rules of the year 1897 for distributive societies and agricultural co-operative societies for purchase and sale; (c) model rules of 1898 for societies for agricultural improvement; (d) law of 1902 on co-operative societies for production *(artels)*; (e) model rules of 1908 for agricultural co-operative societies.

Nor is this all; it cannot in fact, be denied that in the last ten years many co-operative societies have been founded through the influence and with the immediate support of Government officers.

\* \*

Let us now proceed to show in greater detail the present situation of co-operation in Russia.

Let us begin with co-operative credit. There are two kinds of co-operative credit societies: (1) co-operative loan and savings societies (System Schulze-Delitzsch); (2) co-operative loan societies (Russian System) These latter are institutions, neither of the Schulze-Delitzsch nor of the Raiffeisen system. They have *no share capital, nor dividends*, while the Schulze-Delitzsch credit associations have both. Further, their field of action is usually very large, including sometimes from 2,000 to 3,000 households and even often more than 1,000 members. In the co-operative societies of Russian system the members' liability is almost always *limited*, while in those of Raiffeisen system it is unlimited. Besides this, in the former the *board of management* is almost always remunerated, while in the latter only the accountant is paid; finally the co-operative loan societies do not grant loans for very long terms, that is for terms of over 5 years, and limit themselves for the most part to short term loans, while the Raiffeisen banks generally lend for long terms.

As we see, the Russian loan societies conform neither to the Schulze-Delitzsch nor the Raiffeisen type; they have really their own principles which may be styled: *the Russian system*. Such a designation is the more natural as the number of these associations is somewhat large, even compared with that of similar associations in other countries and is daily tending to increase. According to the most recent statistics (July 1st., 1913), there are in

Russia about 8,000 loan associations authorized to work (1). We give below statistics of Russian credit co-operation.

Credits	Co-operative Loan and Savings Societies (System Schulze- Delitzsch).	Co-operative Loan Societies (Russian System)
	On January 1st., 1913 in thou- sands of Roubles.	
Collected . . . . .	4,690	9,241
Securities . . . . .	6,849	1,375
Loans . . . . .	212,026	184,884
Credits Due . . . . .	1,217	295
Cash . . . . .	22,592	9,822
Societies' own Capital . . . . .	7,221	5,135
Goods . . . . .	966 (2)	3,139 (3)
Total . . . . .	255,561	213,891
Debits		
Share Capital . . . . .	44,005	24,569
Reserve Fund . . . . .	5,194	3,543
Profits of the Year . . . . .	8,131	8,677
Special Capital . . . . .	3,728	4,175
Deposits . . . . .	169,482	118,442
Loans . . . . .	19,561	51,359
Other Items . . . . .	5,460	3,126
Total . . . . .	255,561	213,891
Number of Societies . . . . .	3,019	7,974
Number of Members . . . . .	1,726,301	4,867,734

The balance sheets of the co-operative credit societies on January 1st., 1913 therefore showed an amount of altogether 470,000,000 roubles, while nine years previously they did not show more than 56,500,000. In order

(1) For particulars with regard to this type of society, consult the "Bulletin International Coopératif", for 1910, No. 12, S. B.

(2) On July 1st., 1913, the total shown by these societies on their balance sheets was over 300,000,000 roubles.

(3) On July 1st., 1913, the total shown by these societies on their balance sheets was over 350,000,000 roubles.

o have a true idea of these co-operative societies, we must remember that more than 1,670 of them have organized co-operative granaries for the collective sale of wheat of a total capacity of over 10,000,000 *pouds* (1).

Finally, we must mention the Federations of Credit Co-operative Societies, at present eleven in number, showing in their balance sheets not more than 3,000,000 roubles; their work is as yet hardly started.

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As regards *distributive societies*, there are about 7,500 in Russia. According to the figures published by the Central Co-operation Committee of St. Petersburg, those working on January 1st., 1912 were divided as follows:

Rural Societies . . . . .	5,066
Workmen's " . . . . .	705
Urban " . . . . .	706
Societies of Officers and Employees . . . . .	97

The societies have on an average 150 members each, and all the co-operative distributive societies together have 1,145,000 members. There are no periodical statistical returns of these societies.

The movement in favour of the federation of the distributive co-operative societies is as yet little marked. There are only federations at Kharkow, Perm, Ekaterinburg, and Moscow. The amount of business done in 1912 by the Moscow Federation, in which, with its four branches, 800 societies are united, was 6,000,000 roubles, or an average of 7,500 roubles per society. If all the Russian co-operative distributive societies showed equal activity, their annual business would amount to 55,000,000 roubles. The principal object of the rural societies is the development of improved methods of cultivation, with distribution of seeds etc. Some of these societies lend their members agricultural machinery, found dairies, various manufactories etc. Some have objects of general character; others have special objects, such as beekeeping, horticulture, livestock improvement, pisciculture etc.

The principal object of the agricultural associations is the organization of collective purchase and sale; however, 461 occupy themselves with dairy work, 77 with the use of agricultural machinery on a co-operative system, 9 with wine making, 7 with beekeeping, 7 with horticulture etc. In an average, each association has 200 members.

*Co-operative dairies* are found principally in Siberia, but also in other parts of the Empire. Let us specially mention in this connection the Governments of Tomsk, Tobolsk, Perm, Moscow, Vologda etc. They have contributed to increase the amount of butter produced in Russia, which, in 1911,

(1) 1 *poud* corresponds with 16.380 kg.

exported 4,672,000 *pounds*, valued at 71,000,000 roubles, while ten years previously the export was only 1,190,000 *pounds* of a value of 13,500,000 roubles. Most of the co-operative dairies are subventioned by the Imperial Government and by the Zemstvo; a certain number of them owe their foundation to the action of the professors of the Agricultural Department. Among the dairies there is to be noted a successful movement in favour of federation. The most important federation is that of Kurgan, in the Government of Tobolsk: it federates 600 dairies with 120,000 members; in 1912 it sold 477,000 *pounds* of butter.

These are, briefly summarised, the most recent statistics relating to co-operation in Russia. There is no doubt that the bill on co-operation now in preparation will still further advance the movement, already so full of vitality.

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## SERVIA.

### SERVIAN HOUSEHOLD COMMUNITIES (ZADRUGAS).

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### § 1. THE ECONOMIC IDEA OF THE ZADRUGA.

The Zadruga, the origin of which in Servia may be traced back far beyond the Middle Ages, is a permanent agricultural association among relations possessing property in common and living and working together. In this way the association, by avoiding the subdivision of the soil, succeeds in uniting the advantages of both large and small holdings.

By means of community of property, life and work, each association succeeds in producing more cheaply and rendering the work of its members more productive, as a system of division of labour and of time is thus possible. Life in common again diminishes the cost of maintenance for every body. There is only one family, and only one household. In its turn, this reduced expenditure for maintenance affects the cost of production and reduces it.

### § 2. THE SPECIFIC CHARACTERISTICS OF THE ZADRUGA.

The Zadruga presents four specific characteristics:

- 1st. Community of life;
- 2nd. Relationship of members;
- 3rd. Community of goods;
- 4th. Community of Work.

Let us consider these characteristics in turn:

(a) *The Relationship of Members.* — All the members of a Zadruga are relations and there can never be a member who is not related to the others. Custom allows the admission of strangers into a Zadruga only in two cases in that of adoption and in that of marriage with a woman inheriting rights in the Zadruga. The person adopted enjoys the same rights as the person adopting him. The consent of the other members is necessary, because the

adopted person, by becoming a member of the Zadruga becomes also co-proprietor with them and their heir. The case of entrance by marriage offers nothing worthy of special remark.

(b) *Community of Life*. — This formerly was complete, but today each family has its cottage and only the meals are taken in the common house.

Yet not living together only entails a loss of rights, when it is voluntary and the members of the community have not given their consent to it. When the others consent, the mutual relations in the Zadruga are not affected, nor are they if a member engages in trade, is employed as a domestic servant etc.; only, then, he must, while absent, assist the Zadruga out of the profits he makes.

Art. 513 of the Civil Code provides as follows with regard to the rights that may be lost by a member not living in community: "Whoever, having left the Zadruga house of his own will and without the consent of the other members, does not return before the end of twelve months and has not sent contributions in money to the community, shall lose his share of the profits for that year."

(c) *Community of Goods*. — Article 508 of the Servian Civil Code lays down the principle of the joint ownership of the property of the Zadruga, considered as really a civil person. Article 510 adds that no one may sell any of the common property without the consent of the members who are of age and married.

(d) *Community of Work*. — This is, so to say, the cause of the community of goods. The children become joint owners of the goods of the Zadruga by virtue of the work they perform. The Civil Code, in Article 517, recognizes the right of boys, from their fifteenth year, to participate in all the profits of the community, equally with the other members.

### § 3. ORGANIZATION AND WORK OF THE ZADRUGA.

The head of the Zadruga is the *domakin*, who is invested with the office of manager, either as father of the family or, in communities of brothers and more distant relations, by election. He regulates the order of the agricultural work, buys and sells. His rôle is precisely that of manager of a co-operative society, for the Zadrugas, as Emile de Laveleye long ago observed, are in every respect agricultural societies, in which inveterate custom and family affection, not financial gain, serve to unite the members.

The *domakin* represents the Zadruga in the fullest sense. Thus, as regards the property, he is responsible for the common assets and must keep a rigorous account of the obligations of the Zadruga towards the commune, the district, the department and the State. With regard to the members, he represents the minors and even those of age; he settles by his supreme authority any disputes that may arise within the Zadruga among the members. There are, however, limits to the *domakin's* powers; thus, the case of purchase or sale of a part of the common property and also

in cases of mortgaging, which is often only a step towards selling, he is bound to assemble the Zadrugal Council, the decision of which is final. In the same way, the *domakin* can not himself either borrow or pledge what is common property. Finally, in very serious cases involving his honour, or his moral reputation, he may be deprived of his office.

More and more also, the strictly patriarchal idea of the rôle of the *domakin* is disappearing in proportion as the powers of the Zadrugal Council increase. This, which was first a very limited group of individuals freely consulted by the chief, has gradually extended to include all the members of the Zadruga, who have a real right to a place in it. In this family Parliament the most various subjects of agricultural economy are dealt with: distribution, quantity and quality of the crops, sales, purchases, exchanges etc. In all important matters, the head must consult the Council and has then only to carry out its decisions.

#### § 4. THE PRESENT POSITION OF THE ZADRUGA.

According to the last volume of the "Statistical Yearbook of the Kingdom of Servia" (Third volume, 1909-10. Belgrade, 1913. Government Press), the number of rural households, for the most part Zadrugas, in 1910, was as under:

		Percentage
Consisting of one person . . . .	17,539	4.01
from 2 to 3 members. . . . .	76,221	17.44
" 4 " 5 " . . . . .	118,029	27.01
" 6 " 10 " . . . . .	186,364	42.65
" 11 " 15 " . . . . .	30,468	6.97
" 16 " 20 " . . . . .	6,233	1.43
" 21 " 25 " . . . . .	1,565	0.36
" 26 " 30 " . . . . .	417	0.09
more than 30 . . . . .	151	0.04
Total . . . .	436,987	100.00

Average number of persons per household: 6.02.

#### 5. § ADVANTAGES AND DISADVANTAGES OF THE ZADRUGA.

It remains for us briefly to set forth the advantages and disadvantages of the Zadruga. As *advantages* let us mention:

(a) The abundance of labourers and the division of labour it makes possible. In practice, the work is generally divided as follows: the head of the Zadruga administers and manages the household, he treats with the authorities, the merchants and whoever else may have any dealing

with the Zadruga. As a result of the experience he thus acquires, he is able successfully to manage the common business. The old are employed to look after the gardens, and the flocks, and on other work not requiring muscular strength. The strong men work in the fields, the forests, the vineyards etc. The children render little services and are very often entrusted with the herding of the sheep and goats. The women do the house-work and dairying, make the clothes, underclothing, etc.

(b) The community, as such, enjoys greater credit than an independent individual and can follow more scientific methods in the cultivation of the soil.

(c) The Zadruga, through the joint ownership of its property, prevents the subdivision of land, at the same time as it hinders the formation of too large estates and the monopolising of the land by a group of the inhabitants. A Zadruga in which the number of members increases too rapidly, in fact soon divides into two or three smaller Zadrugas.

(d) From the moral point of view it is found that life in a Zadruga tends to decrease individual selfishness, and the districts where the Zadrugas are most abundant are those in which there is least crime.

(e) Finally, the zadruga is an excellent school of self government, allowing very young persons of fifteen years of age to take part in the common deliberations.

Against these advantages there may be placed, it is true, the drawbacks of any community regime. In a Zadruga all the associates work, live and possess all the property of the community in common. The profits of the common labour are divided equally among the members. But as there may be among the members some individuals more hardworking and more ingenious than others, these are not rewarded sufficiently for their work or their ingenuity, the profits being equally divided. The hardworking and ingenious, perceiving the injustice, may be discouraged from working.

Let us, however, observe that the Zadruga is a community of relations; while there is a just reward for labour, there is also family affection which does not look at things with so selfish an eye. Very often these injustices are not observed and they are pardoned without the community suffering thereby. Then also, all keep before them the common welfare, the rather as, generally speaking, no division is made. Finally, there are many ways in which the Zadruga can contend against laziness among its members; the moral influence it exerts over them from their birth cannot be inefficacious. Let us add that when instead of idlers there are sick, disabled or old members, the Zadruga is found to be the most humane institution and the best adapted for their protection.

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## Part II: Insurance

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### ARGENTINA.

#### HAIL, INSURANCE IN ARGENTINA.

##### SOURCE:

SITUACIÓN DE LAS SOCIEDADES DE SEGUROS CONTRA GRANIZO EXISTENTES EN EL PAÍS: AÑO AGROICOLA 1912-1913 (*Situation of the Hail Insurance Societies of the Country: Agricultural Year 1912-1913*) Report forwarded to the International Institute of Agriculture by the Minister of Agriculture of the Republic.

Since its foundation the International Institute of Agriculture has been giving its attention to the important problem of hail insurance: in accordance with a vote of the General Assembly of 1911, it undertook an enquiry in 1912 into the organization and development of this form of agricultural thrift in the States adhering to it, with a view to the establishment of a uniform meteorological and statistical service, as a first step towards an international agreement in regard to hail insurance.

In reply to a special list of questions, the Argentine Agricultural Department has sent the International Institute of Agriculture an interesting report containing statistics showing the progress of this branch of insurance in the Republic: we think it well to reproduce the most important points of it for our readers.

There are 31 hail insurance societies at work in Argentina: of these 19 are societies limited by shares, 3 are co-operative societies limited by shares, and 9 limited mutual co-operative societies (1).

The Department was not supplied by all the societies with the data necessary for the compilation of an accurate return: 5 of them did not

(1) For the mutual hail societies, see our article on the "Co-operative Movement in Argentine Agriculture", published in the number of this Bulletin for December, 1913.

comply with the repeated requests of the authorities. However, by means of private information, it has been possible to obtain the following approximate results:

Effective Capital of the 31 societies, \$ m/n (1)	11,000,000
Hectares Insured . . . . .	4,588,653
Value of Produce Insured \$ m/n . . . . .	153,676,470
Premiums Paid by those Insured . . . . .	8,446,409
Claims Paid by the Societies . . . . .	4,329,605

From these figures it may be deduced that the claims paid were 2.82 % of the value insured; that the average insured value per hectare is 33.50 pesos, that the general average cost of insurance per hectare is 1.84 pesos and that the general average premium rate is 5 ½ %.

The plants as a rule insured are wheat, oats, flax, barley, rye and canary grass. We give below the areas of the various crops insured:

Wheat . . . . .	Hectares	3,395,529	74 %
Oats . . . . .	"	642,397	14 %
Flax . . . . .	"	412,970	9 %
Barley . . . . .	"	45,886	1 %
Rye			
Canary Grass	}	91,771	2 %
Maize			
Vineyards			
Total . . . . .	Hectares	4,588,553	100 %

In the agricultural year 1912-13, the total area under wheat was 6,918,450 hectares, that under oats 1,192,400, that under flax 1,733,330 hectares: if we consider the figures in the above table, we find, therefore, that during the same period 49 % of the area under wheat, 54 % of that under oats and 24 % of that under flax were insured.

A consideration of the proportion of the business done by the limited societies, on the one hand and the co-operative and mutual societies, on the other, shows that the first group insured 3,218,872 hectares (70 %), and the other 1,369,681 (30 %).

The proportion insured by co-operative societies is therefore very high and shows that association has already made great advances in this field: this is the more noteworthy, as co-operation is still at its commencement in Argentina, and has, as in all new countries with a small and heterogeneous population, serious difficulties to contend with (2). Among the most important mutual societies let us mention the *Previsión* of Tres Arroyos and *El Progreso Agrícola* of Pigué, which have insured 23 % of the total area insured.

(1) \$ m/n indicates pesos moneda nacional. One peso m/n = 2 20 frs.

(2) See in this connection our article referred to above.

There is reason to believe that owing to the excellent results obtained and the intense propaganda carried on by the Government and the agricultural associations, mutual hail insurance will make continually greater progress in Argentine Agriculture.

In the following table we give a summary of the principal statistics relating to the constitution and work of the insurance societies of Argentina, dividing the societies into two classes: capitalist and mutual.

*Situation of the Hail Insurance Societies in the Agricultural Year 1912-13.*

	Societies Limited by Shares	Limited Co-operative and Co-operative Mutual Societies	Total
Number of Societies . . . . .	19	12	31
Authorized Capital (\$ m/n) . . . . .	25,650,000	1,315,000	26,915,000
Subscribed " " . . . . .	11,470,240	300,000	11,770,240
Paid up " " . . . . .	6,072,266	—	6,072,266
Fixed " " . . . . .	—	669,826	669,826
Reserve and Thrift Fund . . . . .	3,307,052	950,856	4,257,908
Total Effective Capital . . . . .	9,379,318	1,620,682	11,000,000
Hectares Insured under Wheat . . . . .	2,314,041	1,081,488	3,395,529
" " " Oats . . . . .	387,586	254,811	642,397
" " " Flax . . . . .	402,655	10,315	412,970
" " " Barley . . . . .	30,643	15,243	45,000
" " " Canary Grass . . . . .			
" " " Rye, . . . . .	83,947	7,824	91,771
" " " Maize . . . . .			
" " " Vineyards . . . . .			
Total Hectares Insured . . . . .	3,218,872	1,369,681	4,588,553
Value Insured (\$ m/n) . . . . .	110,075,979	43,600,491	153,676,470
Amount of Premiums Paid " . . . . .	6,390,995	2,055,413	8,446,409
Claims Granted " . . . . .	3,316,156	1,013,449	4,329,605



## BULGARIA.

### THE INSURANCE DEPARTMENT OF THE CENTRAL BANK OF BULGARIA.

*by DR. ATHANASIOS SABBEFF, Manager of the Central Co-operative Bank of Bulgaria.*

The Central Co-operative Bank of Bulgaria was founded in 1910. It began working at the beginning of 1911. It has two departments, one for credit and one for insurance (hail insurance and horned cattle insurance). These two departments are independent of each other as far as liability goes, for the credit department has no liability with regard to the insurance department, nor has the latter any with regard to it.

Each department has its manager. The two managers and the managing director of the Bank form the board of management of the Bank, which decides all questions relating to either department. Consequently, this is the sole link between the two departments. Each has its special book-keeping service. The funds for the Credit Department are supplied directly by the National Bank of Bulgaria, the State Credit Institute and the Agricultural Bank of Bulgaria. There is also another fund of 1,000,000 *lewa* to guarantee bonds the Central Bank of Bulgaria might eventually intend to issue. This fund also is contributed half by the National and half by the Agricultural Bank.

Finally, the capital of the credit department is formed by means of contributions that all the co-operative societies regularly admitted as members of the Bank must pay. It amounts to 111,700 *lewa*. The total capital of the Bank at the end of 1912 was, therefore, 5,611,700 *lewa*.

The insurance department, in its turn, has two divisions, one for insurance of agricultural produce against hail, the other for insurance of horned cattle.

The first has a fund, which must be kept intact, amounting to 1,000,000 *lewa*, fully paid up by the State, and the second one of 500,000 also contributed by the State.

The State has, further, engaged to grant these divisions subsidies. The subsidies amount to 300,000 *lewa* a year in the case of the hail insurance division and 100,000 *lewa* a year in that of the horned cattle insurance division.

To these amounts must be added the insurance premiums, of course in proportion to the amounts assured.

The livestock insurance premium consists of an entrance fee and an amount corresponding with half the total claim distributed among the members.

*Credit Department.* — In regard to the credit department, we shall only say that the total assets at the end of 1912 amounted to 20,417,980 *leva* 39 and the total liabilities to 20,036,658 *leva* 27. Thus the gross profits were 381,322 *leva* 12. Deducting from this 276,837 *leva* 09 for general expenses, we find there was a net profit for the year of 104,485 *leva* 03. This net profit was distributed as follows:

10 % to the reserve fund . . . . .	<i>leva</i>	10,448.50
10 % to the insurance fund . . . . .	"	10,448.50
3 % in bonuses to employees . . . . .	"	3,134.55
In dividends . . . . .	"	80,453.48
Total . . . .		<i>leva</i> 104,485.03

*Insurance Department.* — The insurance department presents greater interest. As we have said, it has, in its turn, two divisions: one for hail insurance and the other for insurance of horned cattle.

The hail insurance division is by far the most important. Its second year of work is already finished, and it has all along been successful.

This is shown by the considerable increase of the policy holders in the second year, as well as in other ways. In fact, whereas the number of policy holders was 3,444 at the end of 1911, during the next year it reached the considerable figure of 17,458.

In addition, the total amount assured, which was 6,120,490 *leva* at the end of 1911, amounted to 28,255,390 *leva* at the end of 1912.

In 1912 applications for insurance were refused in the case of one hundred and thirty persons for various reasons, the chief being that they had not sown or had leased their farms.

The amount assured varies very much: from a maximum of 204,850 to a minimum of 10 *leva*. The average for each policy holder is about 1,600 *leva*.

All kinds of crops are insured. However, cereals are insured in greatest quantity, and after them vineyards. Let us now examine separately various points in relation to this branch of insurance, the entrance fees, premiums, compensations etc.

The entrance fees amounted in 1912 to 59,059 *leva* 80. The whole of this amount was placed to the reserve fund of the division.

The total amount of premiums paid in 1912 was 630,779 *leva* 70, which is 2.33 % of the total amount assured. This may seem high. It is due to the fact that a large proportion of premiums are paid for vineyards, and in that case higher rates are paid. If we exclude the premiums for vineyards, the rate is only 1.47 %.

*The damage caused by hail in 1912 was considerable, and in fact, the year is held to have been one of those in which most damage was done in this way. There was hail even in spring and autumn, but it was most frequent in June and July.*

*Estimation of Losses.* — In accordance with article 8 of the law, the damages are estimated by valuers chosen from among the farmers. In choosing them account is taken of their general education, and their special experience in the matter. These experts are appointed directly on the proposal of the provincial councils, after consultation with the local scientific agriculturists.

The number of policy holders to whom claims were paid in 1912 was 2,560. The total amount paid was 1,037,726 *lewa* 10. The claims contested amounted to 30,835 *lewa*. The largest claim paid was for 27,656 *lewa* and the smallest for 1 *lewa* 30.

The average amount of the claims paid was 405 *lewa* 30 per person.

The experience of this insurance division in two years has rendered evident numerous inconveniences in the application of the law. And the Board of Management of the Bank has proposed some modifications to be introduced into it. Some of these, the realisation of which was within the powers of the Executive, have been already adopted. Others, for which the authorization of Parliament is required, have already been put into the form of a bill to be submitted to the Chambers on their meeting after the new elections.

The principal amendments proposed are as follows :

1st. Vegetables and market garden produce cultivated for sale and not for seed may also be insured ;

2nd. Vineyards may also be insured from May 1st., that is to say, while in flower ;

3rd. A reduction of 5 % on the amount of the premiums shall be granted to co-operative societies constituted for the collective insurance of their produce, provided the amount insured is not less than 30,000 *lewa* and the premium is paid before the 1st. of September.

Further to simplify insurance still more and place it more within the power of the poorest farmers, proposal has been made to the minister to submit a bill for the following amendments to the law on hail insurance to the Chamber of Deputies :

1st. The contract shall come into force the day after that on which the proposal for insurance is accepted and not the day after that on which the policy holder receives his policy completely filled in ;

2nd. The experts appointed to estimate the loss shall be nominated by the college of scientific agriculturists and the itinerant agricultural lecturers ;

3rd. Policy holders suffering losses shall be paid the claims due to them even before the date fixed for this in advance, subject to a fair discount.

There is little to be said with regard to the horned cattle insurance division, for it only commenced work in 1912. Consequently, operations of this

character have only been conducted to a very limited degree. In any case, some information on the subject may be interesting.

It is not a matter of individual but of collective insurance. The Bank only insures societies founded for insurance of livestock in common.

In the course of 1912, eighteen such societies were formed, but three of them alone were able to fulfil all the conditions required by the law for their regular working. These three societies insured altogether 93 head of cattle for an amount of 17,660 *leva*.

The entrance fees in this division amounted to 44 *leva* 75, and this, in conformity with the provisions of article 14 of the law, has been placed to the reserve fund.

The premiums amounted to 127 *leva* 80 ; the claims paid only to 126 *leva*. The rules lay down that half the loss must be paid by the insurance division of the Bank, and the other half by the society to which the animal insured belongs. We must further note that the reserve fund of this division amounted at the end of 1912 to 650,405 *leva* 51, which, with the 50,000 *leva* contributed by the State, which is to remain intact, forms a reserve fund of 700,405 *leva* 51.

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## Part III: Credit

### ARGENTINA.

#### — THE NATIONAL MORTGAGE BANK: WORKING YEAR 1912 ; INCREASE OF CAPITAL, (1).

##### 1. — WORKING YEAR 1912.

The Board of Directors of the National Mortgage Bank has presented report for the working year 1912 to the Minister of Finance. It shows a progressive development of the Bank and, the confidence inspired by 6 % mortgage bonds even in foreign countries, as well as the great service the institution renders the national economy, both in its urban and rural operations.

If we, however, consider that the total mortgage debt of the country about 1,500,000,000 pesos m/n. (2), and that of this sum only 485,324,126 is due to the Bank, the rest representing operations conducted by national and foreign societies or private individuals, we see how large a field there is still open for the action of this Institute.

The interest the Bank asks on loans is generally less than other money lenders ask; this difference is a real loss for the country. We must therefore increase its resources, which have already reached the maximum permitted by the law (3). We shall see in the next section what provision has

(1) See *Bulletin of Economic and Social Intelligence*, August, 1911 ; April, August, November, ; September, 1913

(2) A gold peso is equal to 5 frs ; a peso m/n. (national money) to 2 frs. 20.

(3) The Bank has recently been authorized to make the final issue of bonds (25,000,000) completing the 500,000,000 pesos fixed as the maximum limit for circulation, by the law 911.

been made to meet these requirements. Let us now briefly examine the work of this important institute in 1912.

*Circulation.* The amount of the bonds in circulation on December 31st, 1911 was 336,663,700 pesos; in the course of 1912 bonds were issued for 140,647,900 pesos and bonds for the amount of 34,773,425 pesos were withdrawn from circulation, so that the amount in circulation on December 31st, 1912 was 442,538,175 pesos.

To give a clearer idea of the increasing activity of the Bank, we publish the following comparative table for the five years 1908-12 (4), which also shows the quotations for the 6 % bonds.

Years	Amount in Circulation on December 31st.	Issue			Loans Current on December 31st
		Series	Amounts	Average Quotation of 6 % Bonds	
1908 . . . . .	146,855,400	L.	27,492,700	90.24	178,553.74
1909 . . . . .	178,546,250	L.	52,425,400	97.74	212,980.30
1910 . . . . .	250,755,300	C. H. A.	98,894,700	100.64	287,617.02
1911 . . . . .	336,663,700	C. H. A.	115,926,600	99.87	377,071.35
1912 . . . . .	442,538,175	C. H. A.	140,647,900	97.36	485,324.12

There were 5,060 loans for 140,647,900 pesos, granted in 1913: 4,295 (89,312,200 pesos) being secured on urban and 765 (51,335,700 pesos) of rural land.

The following table shows the distribution of these loans in detail and also from the geographical and agricultural point of view :

(4) The figures here also stand for pesos m/n.

Operations	Rural Land Mortgaged												
	Urban		Rural		Total (Ha.)	Cultivated Land				Uncultivated Land			
	Number	Amounts — (pesos)	Number	Amounts — (pesos)		Vineyards (Ha.)	Known Fields (Ha.)	Cane Plantations (Ha.)	Under other Crops (Ha.)	Livestock Improvement Farms (Ha.)	Forests (Ha.)	Not Replanted (Ha.)	
In the { Ordinary Credit . .	2,744	56,503,900	—	—	—	—	—	—	—	—	—	—	
Capital { Credit for Buildings.	390	18,085,300	—	—	—	—	—	—	—	—	—	—	
Flores { Ordinary Credit . .	168	1,539,100	—	—	—	—	—	—	—	—	—	—	
Agency { Credit for Buildings	18	301,600	—	—	2	—	—	—	—	—	—	—	
National Territories (Ordinary Credit). . . . .	21	131,500	110	5,093,100	357,334	218	13,215	—	58,287	262,236	19,527	3,851	
Branches (Ordinary Credit) . .	954	11,850,800	655	46,242,600	1,116,383	3,607	83,929	679	186,993	758,026	77,018	6,131	
Total . . .	4,295	89,312,200	765	51,335,700	1,473,717	3,825	97,144	679	245,280	1,020,262	96,545	9,982	



As we see, the urban loans, especially those made in the capital, come first in number and value. The greater number of rural loans (46,000,000) were granted in the provinces, a very few in the National Territories; the largest number of applications made to the Bank for rural credit came from livestock improvers, cultivators of lucerne and exploiters of forests.

The loans are divided as follows, according to their value:

Amount	In the Capital		National Territories		Agencies	
	Number	Amount	Number	Amount	Number	Amount
From 1,000 pesos to 5,000	796	2,950,000	27	109,300	364	1,185,50
» 5,100 » 10,000	923	7,044,500	27	221,800	352	2,738,60
» 10,100 » 20,000	724	10,867,400	28	399,500	319	4,793,60
» 20,100 » 30,000	541	17,277,100	18	637,000	292	9,589,20
» 30,100 » 100,000	214	15,533,900	17	1,301,000	155	11,749,00
» 100,100 » 250,000	104	17,141,000	12	1,836,000	93	15,712,50
» 250,100 » 400,000	13	4,206,000	2	720,000	27	8,865,00
» 400,100 » 500,000	5	2,310,000	—	—	7	3,460,00
Total . . .	3,320	77,329,900	131	5,224,600	1,609	58,093,400

Here the small loans of between 1,000 and 50,000 pesos are most numerous, while the loans of medium amount, between 30,000 and 250,000 pesos, were the most important as regards the quantity of money lent. In any case, there is to be observed a considerable increase of small and medium loans, as well as of loans on mortgage in the National Territories, as indication of the progressive extension of the action of the Bank in behalf of small farms and of the colonisation of the more distant regions.

*Profits and Losses.* — The principal source from whence the Bank derives its profits is the commission it charges on loans, in accordance with the organic law: this commission is 1%,  $\frac{1}{2}$ % and  $\frac{1}{4}$ % respectively in the three periods of 11 years into which the term allowed for repayment is divided.

In 1912, the Bank made profits to the amount of 4,293,709 pesos which were placed half to the reserve fund and half to the special fund for loans in cash.

*Reserve Fund.* — On December 31st., 1912, the reserve fund amounted to 28,612,730 pesos (31,465,876 pesos on December 31st., 1911).

## 2. — INCREASE OF CAPITAL.

In May, 1913, the Board of Directors of the Bank, seeing that the issue of bonds had reached the maximum limit authorized for circulation (500,000,000 pesos), presented a note to the Department of Finance petitioning for a reform of the organic law, so that the capital might be raised to 1,000,000,000 pesos.

This increase was considered advisable on the ground, among others, of the necessity of not arresting the action of the Bank which is one of the principal agents in the industrial and agricultural progress of the country. The sale of the farms and the subdivision of landed property etc., adds the note, are considerably assisted by this institution. Now, as we have shown, the 500,000,000 pesos, forming the capital of the Bank, do not represent even the third part of the total debt on the land, as the rest is due to loans of private, to a large extent of foreign, capital. If it is borne in mind that the interest on private loans is higher than that asked by the Bank, it will be easily understood how heavy a loss the country suffers in this way and what an obstacle to the development of mortgage credit there is in the limitation of the resources of the Bank. To those objecting that a new issue might shake confidence in the Argentine bonds on the market, its advocates replied that the credit of these securities would not suffer in the least, if the circulation were gradually increased and due precautions taken.

The Financial Commission, approving the proposal of the Bank on its essentials, laid before the Chamber of Deputies a bill for the increase of the capital not by 500,000,000 but by 120,000,000.

After a long and animated debate, the Chamber decided last September to authorize the Bank to increase its capital by 250,000,000, thus raising the maximum limit of circulation to 750,000,000 pesos. The new issues will be made in series of not more than 50,000,000 pesos.

(Summarised from the "*Report on the Work of the National Mortgage Bank for the Year 1912*" and the *Nación*, May-September, 1913).

## ITALY.

### THE PART PLAYED BY THE MONTE DEI PASCHI IN HISTORY AND IN THE ORGANISATION OF CREDIT.

By Prof. Dr. FILIPPO VIRGILI,

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of the Board of Management of the Monte dei Paschi.*

#### § I. THE ORIGIN OF THE "MONTE DEI PASCHI" AND THE COMMENCEMENT OF ITS RURAL CREDIT BUSINESS IN 1625.

The first mention of a Monte at Siena occurs in 1369; at that time the name was given both to one of the parties by which the city was troubled and to the public banks, and the first bank was, instituted by decision of the Council in 1369 and took the name of *Monte Comune*.

The republic provided itself with money either by arbitrary taxation or by loans: the amount of the latter, principal and interest, was entered in the *Liber debiti*; and it was precisely by the decision of 1369 that, the debts of the commune having considerably increased, they were distributed in three books corresponding with the three chief districts of the city, each of them representing a group of creditors. It was also decided that these debts should be gradually paid off out of the Government revenue derived from the duty on salt and the *paschi* or pastures of the Maremma. To this revenue the name of *monte* was also given. In consequence the *Monte dei Debiti*, that of the salt duty, and that of the revenue from the pastures were united in a single *Monte del Comune Sale e Paschi*.

Needless to say this institution, in spite of having the same name has nothing to do with the *Monte dei Paschi* which came into existence in the seventeenth century, and forms the subject of our enquiries and remarks; we only wished to mention the former as evidence that in a remote epoch, the name of *Monte* was given to a public bank in Siena.

We find the word used in the same sense also in other places, and even at an earlier date. The first bank founded in Venice about the middle of the twelfth century, which lent money to the Republic for its wars in the

East, was called *Monte* or corporation of State creditors (1). It seems that the Bank of St. George of Genoa, the glorious rival of Venice, so prominent in the history of Italian financial institutions, was founded a few years earlier. In the operations conducted by it, we find the *scheda di redenzione*, corresponding with the modern sinking fund, the *monete* or *lire di paghe*, in which our bonds originated, and those *biglietti di cartulario*, marking the transition from the bill of exchange to the bank note.

While other *Monti* or Banks, on the model of those of Venice and Genoa, were being founded in various cities of Italy with the object of preventing usury, in the fifteenth century a new charitable institution appeared in our country, with the same aim, *adversus judaeorum pravas usuras*, that of the *Monti di pietà*. (Pawn Institutes).

We know that the first of these, indeed, was founded in Perugia in 1462, through the influence of Frate Barnabas of Terni, and ten years later, in 1472, the Siena *Monte di Pietà*, owing its origin to the initiative of the Commune, began its work; but it has now been ascertained that the original idea of these charitable institutions may be traced to a proposal of the common council of Arcevia in the Marche, of June 29th., 1428 (2).

The Siena *Monte della Pietà* did not at all realise the hopes conceived at its start; it lived with difficulty for about half a century and ceased to exist in 1511; there was a vain attempt to revive it in 1521 and another, more successful, in 1560, which led, as a result of continued insisting on the part of the people, to its re-establishment in 1569. This second *Monte*, besides discharging its original function, of lending to the poor on pawn, also assumed the character of a credit institute, *lending on special security to the farmers and livestock improvers of the Maremma* and the communities of the State of Siena.

Indeed, this latter business was so welcome that it very soon overshadowed the former, so that, in 1582, the *Magistrato* (Board) of the *Monte* proposed to the Governor that it should be transformed into a credit institute; and the proposal, though resolutely rejected, was presented again and again by various boards in turn.

(1) The great Italian Economist, Francesco Ferrara, after referring to the expedition against the East organized about the middle of the 12th. century by the Doge, Vitale Micheli, and the loans made by the Venetian citizens to the State to defray the costs, in the hope of great mercantile advantages to be obtained by a victory in the East, writes: "That corporation of creditors of the State was called *Monte*, a name given then and later to many other similar institutions founded in various parts of Italy, because everywhere the Government debt increased in proportion to the advance of trade. Many of these are known, and amongst them all the first place is held by that of Genoa, also the earliest founded, a few years before the Venetian, and then called *Compens*, which later on became the famous *Bank of St. George*." F. FERRARA, *Introduction* to vol. VI., Second Series of the Biblioteca dell'Economista, Turin, 1837. pp. CXII, II.

(2) A. ANSELMI, *Il Monte di Pietà di Arcevia*, in the "Nuova Rivista Misen", year IV, 10. I. Jesi, 1891. Cf. A. BERTOLINI, *Nota sulle origini dei Monti di Pietà*, in the "Giornale degli Economisti", December, 1891.

And in 1619 the *Magistrato* petitioned the Grand Duke of Tuscany to provide, not only for the poor, but also for the middle classes by the introduction of "another kind of *Monte*," endowing it with a new fund, so that "every one might freely invest his money in it, with the certain hope of receiving his interest with a good conscience." It was desired in this way to form a permanent fund of 50,000 ducats, "with which to assist those who had to pay more than 12 % (1)."

The proposal was supported by the *Balia*, the communal government of the day, and was fully discussed and explained, and led to the foundation of a new *Monte*. "These were years of very great poverty," writes Luciano Banchi, to whom we owe so much for our knowledge of Siennese institutions, "every class of citizens was distressed, and the very nobility of Siena were reduced to such a degree, that every day more of them were in need of assistance and more than one nobleman was compelled, not merely when sick, but even when well, to ask for assistance from the Hospital, just when its expenses were increasing and its revenue falling off. But fortunately for Siena, when the prosperity of the Hospital began to decline, there arose an institution, due to the very special poverty of the time, which, through the admirable wisdom of its organization, soon became the salvation of the Siennese landed proprietors, and, as it were, an inexhaustible source of good for many charitable institutes. The Hospital was not slow to contribute to it, as if foreseeing that those manifold benefits it would no longer be able, in the course of future years, to confer, would be rendered in great abundance, and in a better manner, to the entire body of citizens, by the new institution, the *Monte dei Paschi*, the great Bank of modern Siena, the deed of foundation of which bears the memorable date of November 2<sup>nd</sup>, 1624" (2).

Before the *Monte de' Paschi* was started, those in need of money either could not obtain it at all, or only at a heavy sacrifice and, while amongst these marriages decreased and many were ruined, the few fortunate persons possessing money lent it in greater quantity and found this more profitable than if they had invested it in agriculture or the commerce possible in an inland town, so that both agriculture and commerce were considerably neglected.

"It was therefore only right," as an eighteenth century manuscript in my possession puts it, "that the oppressed should find protection and assistance in the paternal care of the Most Serene Grand Duke Ferdinand II, who, clearly perceiving the evil calling for a remedy and the good that had to be done, lent a generous ear to the petitions of the people." The Grand Duke, ordered the foundation of a *Monte*, *non vacabile*, that is with funds not to be redeemed, by Rescript of December 30th, 1622, in which it is said that, to facilitate the work of the *Monte*, the Grand Duke

(1) For all quotations relating to dates, facts and documents in connection with the history of the *Monte de' Paschi*, cf., when not otherwise stated, N. MENGOLZI: "*Il Monte de' Paschi e le sue aziende*", Siena, 1913.

(2) L. BANCHI: *Statuto dello Spedale di Siena*; Bologna 1877, p. 365.

advanced a sum out of the public revenue, "amounting to 200,000 scudi at 5 % interest, or 10,000 scudi per ann., out of the revenue of the *Ufficio dei Paschi* of Siena, with the precautions and security necessary for the protection of His Highness."

Although the justice of this rate of interest could not be called in question, still, the Archbishop, Monsignor Alessandro di Pandolfo Petrucci, was asked for his opinion, and, after consulting various theologians and economists, he replied that he was fully satisfied with regard to the reasonableness and equity of the proposal. The deed of foundation bears date, as said above, of November 2<sup>nd</sup>, 1624 and the *Monte dei Paschi* was opened on January 3<sup>rd</sup>, 1625.

The 200,000 scudi advanced as security by the Prince out of the annual income of the public board of pasture lands would correspond to 1,176,000 frs. at the present day; the income had to be divided in various portions called *Luoghi di Monte* (1) corresponding with modern bonds, to be sold at 100 scudi each and yielding interest of 5 scudi a year. In this way, "the sure and certain fund was established, indispensable in order that the new *Monte* might lawfully receive money from collective bodies, or private individuals and from every quarter and every kind of public and private body; and that, on the other hand, the same *Monte* might lend on good security, receiving the same moderate and legitimate interest it granted its depositors, any surplus being used to pay the expenses and commissions of the functionaries and directors, as many as might be required to keep the *Monte* open and ready for work."

In other words the guarantee of the deposits consisted in the revenue from the tax on the Maremma pasture land, which was considered the most lucrative and the most certain the Grand Duke levied in the State of Siena and which he had solemnly pledged in their behalf. The *Monte* might lend the amounts it received in deposit to those requesting it at a rate a little higher than that paid to depositors, that is, at about 5  $\frac{1}{2}$  %.

The guarantee offered by the Prince was full and complete; legally he could be called upon for payment of it in case of necessity, but as a matter of fact it was never required, so that the guarantee remained purely moral; in compensation, however, the Prince required, in his turn, a guarantee from the deputies of the *Balia*, who had to engage up to the above mentioned amount of 200,000 scudi not only all the bills of the *Monte*, all the advances of the *Monte di Pietà* and all the claims the Commune had against the *Monte*, but also, if this security were insufficient, the real and personal estate, rights and documents of title belonging to all citizens and inhabitants of Siena, except the priests. In the ultimate analysis, then, we find the security to the depositors in the *Monte dei Paschi* offered by the lay citizens of Siena themselves and consisting in all their possessions.

(1) In the fifteenth century the creditors of the Bank of St George were distributed by regions of the city, and so their credits received the name of *Luoghi*. F. FERRARA. *Introduction*. p. cit. p. CXLIV.

The *luoghi di Monte* given to the depositors undoubtedly constituted a land security of the first value, so that the *Monte dei Paschi* appears to have been really the first land credit institute recorded in history.

§ 2. ANALOGY BETWEEN THE MONTE DEI PASCHI  
AND THE SILESIAN LANDSCHAFT FOUNDED IN 1769.

About a century and a half later, to be exact in 1767, the merchant Büring presented a proposal to Cramer, Minister of Frederic II of Prussia, for the formation of an association among the noble landlords of Silesia, offering a collective mortgage on all the land of its members to the capitalists of Breslau and binding itself to provide every landowner, on his request, with money up to the amount of the value of half his property by means of the issue of land bonds, called *Pfandbriefe*.

Historians of banking institutions agree in tracing the origin of the land credit system to the Silesian *Landschaft*, founded at Breslau in 1769, in accordance with Büring's proposal. But it is easy to find many analogies between the Prussian *Landschaft* and our *Monte dei Paschi*.

Frederick of Prussia endowed his institution with 300,000 thalers, equal to 1,126,000 frs.; Ferdinand II of Tuscany gave security of 200,000 scudi, equal to 1,176,000 frs. The Breslau Institute was in fact an association of Silesian landowners, the *Monte de' Paschi*, became, by virtue of the security demanded by the Grand Duke, substantially an association of Sienese citizens. Both institutes acted as intermediaries between lenders and borrowers. The *Landschaft* issued land bonds of a value not exceeding 1,000 thalers, nor less than 25 thalers; our Institute divided its nominal capital in *luoghi di Monte* of a hundred scudi each, of which portions of not less than 25 scudi each might be sold; both the Silesian land bonds and the *luoghi di Monte* bore half yearly interest; but, unlike the former, which could be freely negotiated, the *luoghi di Monti* only gave right to interest and were not transferable. It is further to be noted that while the debtors of the Prussian association might or might not return the capital lent, as they pleased, provided they paid their interest regularly, the debtors of the *Monte*, according to the rules of the year 1624, had to pay off their debt immediately at the end of the year, though they might obtain a delay, which in no case might exceed five years, with facilitations for payment in instalments (1).

In the present fever of historical research and exegetical analysis, it has seemed to us not inopportune to show the points of contact and the resemblances between our glorious institute and the German land credit

(1) These analogies and resemblances were pointed out for the first time in the clear report of a Sienese Municipal Commission charged to present concrete proposals for the reform of the *Monte de' Paschi*; cf. the work, "*Sul riordinamento dei monti riuniti di Siena*," Siena, Sordani Press, 1862, pp. 5-6.

associations, testifying to the priority of the Sienese institute in this important business, as it, preceded the German *Landschaft* by 144 years and we have been the more anxious to do so as the scientific publications of economic and legal character dealing with this subject all leave a gap that ought to be filled.

### § 3. HISTORICAL DEVELOPMENT OF THE MONTE DE' PASCHI.

And now, in continuation, we may remark that the fund of 200,000 scudi, within the limits of which the *Monte* might accept deposits and make loans, was shown to be insufficient to repair all the evils by which local agriculture was afflicted; so that in the brief course of six years there were enough purchasers of *luoghi di Monte* to exhaust the whole fund, while the avidity of the rich lenders was not altogether arrested. And the Sienese public, desirous of preventing any possibility of usury, presented another prayer to the Grand Duke in which, after having shown in lively colours the benefits the foundation of the *Monte* had conferred on the whole State, requested that the fund might be increased by another 100,000 scudi with the same guarantee as before. Ferdinand II, persuaded of the utility of the new institute, consented, by Rescript of October 18th., 1630, to the increase of the fund by 50,000 scudi. The larger sphere of the operations that, consequently, the *Monte* could conduct, led to a reduction of the interest the institute paid its creditors and of that, consequently, that it asked from its debtors. A second increase of the fund, by 25,000 scudi, was accorded in 1747; in that year the city and State of Siena were in great consternation on account of the poor harvests, and the new issue of *luoghi di Monte*, rapidly taken up, succeeded in relieving the distress of private individuals. A few years later, in 1766, on account of new economic calamities, the fund of the *Monte* was increased by another 25,000 scudi, thus reaching the amount of 300,000 scudi, which was not to be exceeded until a new age and new requirements demanded a different organization of the ancient institute.

Pier Antonio Cerretani, who was Proveditor of the *Monte de' Paschi* from 1769 to 1772, indeed addressed an earnest and detailed memorial to the grand Duke Pietro Leopoldo in 1777 to obtain a new increase of 100,000 scudi for the work of the *Monte*, but without any practical result. Part of this memorial was first published by me on another occasion. In it, in substance, the idea was advanced that, by increasing the fund of the *Monte de' Paschi*, facilitations might be given to local proprietors, who had not available funds, to purchase the land sold by the *Luoghi Pii*, and, at the same time an opportunity given to the same *Luoghi Pii*, to reinvest in the *Monte*, at a sufficient interest, the money obtained by the sales, thus preventing the land in question being purchased by foreign capitalists and the *Luoghi Pii* from seeking elsewhere a profitable investment of the capital realised, and so arranging for a circulation of money within the State which



was held to be of the greatest advantage. This commercial idea was treated by Cerretani simply, without any theoretical exaggerations, but moderated, as I have elsewhere remarked, by those principles of agricultural protectionism Sallustio Bandini had but recently propounded in his celebrated *Discorso sulla Maremma*, that were to prepare the way for the great Leopoldine reforms (1), marked by a larger understanding of economic phenomena and social needs.

Meanwhile, at the end of 1783, the *Monte Pio* and the *Monte de' Paschi* were united in a single institute under the name of *Monti riuniti*; with one staff of employees under the same management; rather than a reform, this was an administrative union, in no way modifying the ordinary functions of the *Monte de' Paschi*.

An important change was, however, introduced by the great political events that disturbed the end of the eighteenth and the beginning of the nineteenth century, completely changing the map of Europe. "When the Napoleonic Code had been promulgated in Tuscany, an edict of the Imperial Government of April 14th., 1808 applied the French mortgage system also to the *Monte de' Paschi*, enjoining the conversion of all the credits of the *Monte* into mortgages and thus substituting real land security for personal and fiduciary security, by which the loan operations of the Institute had been guaranteed from the start" (2).

This provision remained, however, for some years without effect, both because in the more disturbed period, from 1808 to 1818, the *Monte* suspended its loan business and because mortgage security could only be useful when there was a cadastre, and the Tuscan cadastre, commenced in 1819, was only completed in 1831.

And it was just the next year, 1832, that the first radical change and the first impulse towards the improvement of our Institute began after 207 years of almost stationary life.

At first, the *Monte de' Paschi* only lent to the citizens of Siena. And a few communities included in its territory benefiting under the original contract, but in 1831, as a result of a concession made in a Rescript of June 30th. of that year, the principle prevailed that loans might be granted to any land holder in Tuscany: this extension of the field of operations really marks the beginning of a new life which was again strengthened by the Institution of a Savings Bank the *Monte* was allowed to found by Rescript of August 23rd., 1833, and the right secured a few years later (Rescript of January 27th., 1843) to grant loans for any amount.

With the foundation of the Savings Bank our Institute began to adapt itself to the new age and new requirements, and we shall see later on that other institutions were founded to suit the modern requirements of the credit system; but before following the phases and consequence of this trans-

(1) Cf. my article, *Il Monte de' Paschi nel 1777-79 e l'incremento dell'Agricoltura*, in vol. II of the *Studi Senesi*, in honour of L. Mariani. Siena, 1905.

(2) MANGOZZI, *op. cit.* p. 197.

information it will be well and not without interest to show as a result of what discussions and decisions the *Monte dei Paschi* acquired its present administrative organization.

#### § 4 ADMINISTRATIVE ORGANIZATION OF THE MONTE DEI PASCHI.

The Rules of the year 1624 gave the *Monte* a Board of Management composed of eight citizens, under the name of *Magistrato* and a proveditor, an accountant (*bilanciere*) and a chamberlain, or treasurer elected by the *Balia*, the *Magistrato*, now called the *Deputazione*, decided in regard to the sale of the *luoghi di monte*, the loan business and all other business connected with the management, while the proveditor had to arrange for the regular course of business, to supervise the other officers and report every thing to the Board and carry out its decisions. There was besides, a registrar chosen from among the notaries, who wrote out the decisions and kept the books and papers of the *Monte*. The *Balia* exercised control by means of two inspectors who reported annually and reserved to itself the right of making any reform experience might suggest.

On the suppression by law of August 29th., 1786 of the *Balia* and the institution of the commune of Siena, the latter was entrusted with the supervision and management of the *Monte*, while the Government had the appointment of the officers, and the new magistrates of the city advised the Government that, as the office and board of the *Paschi of Siena* had been suppressed in September 1st., 1778, together with all the duties devolved for its account, all guarantee of the creditors of the *Monte* by the Sovereign's estates had ceased, and, consequently, "there should also cease all bonds and rights in connection therewith, upon any amounts belonging to the people of Siena, deposited and still existing in the *Monte* itself." Any such obligations, were, in fact, declared, in the Rescript of April 4th., 1787, to have ceased.

On the constitution of the Kingdom of Italy in 1861, we find the *Monte dei Paschi*, in consequence of the extension of its field of operations and its authorization to contract loans for any amount, administering an estate of 23,000,000 frs., secured on mortgage in almost all the Tuscan provinces.

And when the tenth congress of Italian Science met in Siena in 1862, the *epistazione* of the *Monte* (which in course of time had taken the place of the old *Magistrato*) contributed to defray the expenses by a grant of 20,000 s. and also, for the same object, assigned another 2,500 frs. to the local physiocratic Academy. And the Congress voted that the *Monte dei Paschi* "should be counselled to carry out the reforms recommended by science with that prudent moderation which alone is suited to reconcile the additions of the past with the necessities of the future."

First of all, the *Monte* had to give itself rules answering to the changed political and social conditions and such as to allow it to develop all those forms of activity the new conditions required. Before every thing else, it was

necessary to settle the question of the right of the Comune to intervene in the affairs of the *Monte* and the legal form such interference might take.

"There were three powers," as the diligent historian of this famous institution observes, "that then contended the field with the object of substituting to the greatest extent possible their own influence for that of the central power which, owing to the altered political forms and the administrative difficulties of the moment, was in no position to assert its supremacy in the manner and within the limits in which the absolute power of the Grand Duke had been exercised in the past" (1).

These three powers were; the Prefecture, representing the Government; the Municipality, representing the city of Siena; and the Board of Management of the *Monte de' Paschi*.

The municipality, with the intention of affirming its own rights over the two hundred years old institute, appointed a commission to study and propose a definite set of rules. And this commission, while affirming that the *Monte* ought to preserve its original character, concluded "that there ought to be introduced into its internal organization all those salutary amendments the changed conditions of the time render necessary. And, in the first place, the *Monte*, which emanated from the Commune, should be entirely given back to the Commune; to the Commune should be restored full administrative control over it, the appointment of the officers and employees, the initiative in all measures which the Balla reserved entirely to itself, which, as they were often imposed by the necessity of the moment and affected by local circumstances could not be more prudently or profitably dealt with than by the Municipality" (2). And it concluded with the proposal of these three reforms: 1st. abolition of all caste preference in appointments of officers and employees; 2nd. introduction of the sinking fund system for repayment of loans for long terms; 3rd. issue of land bonds.

It is superfluous to give the reasons for the first proposal; privileges of birth, if they could be justified in 1624, were no longer admissible in face of the principle, embodied in the Italian *Statuto* of the legal equality of all citizens. The other two proposals were already contained in germ in the traditions and customs of the *Monte*; while they were under discussion the commission itself abandoned the idea of bonds for that of deposit certificates, but it did not seem to be clear in the matter.

The rules and regulations and the list of the officers and employees of the *Monte* were discussed and approved in various meetings of the Communal Council of Siena in September, October and November, 1862. The Government, by Royal Decree of May 14th., 1863, approved that part of the rules abolishing the privilege of the nobles in cases of appointment of members of the board and employees of the *Monte*; by a later decree it entrusted the Prefect with the appointment of employees; two years later the management of the *Monte* decided to adopt, by way of trial, the system

(1) MENGOZZI, *op. cit.*, p. 213

(2) *Sul riordinamento dei Monti riuniti*, page 13.

of gradual repayment of loans by means of annuities, while maintaining its right to demand the principal of the loan whenever it pleased; in 1866 the *Monte* undertook the conduct of Land Credit business in conformity with the new legislative provisions and thus also the third proposal formulated in 1862 was completely adopted; in 1869 the *Monte* also began to conduct agricultural credit business through its Savings Bank. Hence, as a result of the innovations of these busy ten years, a critical revision and final completion of the rules of 1862 became necessary.

For the purpose, a mixed commission was appointed, consisting of three members elected by the Communal Committee and three others appointed by the Board of the *Monte*; the new scheme was ready in June, 1870 and was, first of all, discussed by the board from June to September of that year; in the early months of 1871 the Communal Council appointed special commissions to examine it, but they refused the charge so that the Council had to discuss the new scheme in the Report of the mixed commission. The general discussion, which was really memorable, was held on the 22nd., 24th. and 26th., April, 1872, the Mayor, Luciano Banchi in the chair; in other later meetings (April 29th., May 6th., 8th., 10th. and 13th.) the articles were approved. The principal points now discussed were: 1st. the ownership of the *Monte*; 2nd. investment of funds; 3rd. management; 4th. grant of advances.

To whom does the *Monte de' Paschi* belong? After a long debate, article 1 of the Rules, conceived as follows, was approved "The *Monte dei Paschi* is an institution of the city of Siena, to which it owes its origin, and therefore the Commune has the superintendence, management and guardianship of it, and administers it by means of an elective council." The formula, in order to reconcile the various tendencies of the members of the council and with the object of affirming the principle of the possession of the *Monte* by the Commune without using the word "possession", which seemed dangerous, ended by grouping together rights and powers which, in practice, are distinct and separate, such as those of management and administration, superintendence and guardianship. However, the municipal character of the Institute remains clear. It was determined to exclude any Government intervention.

The rules, definitely approved in May, 1872, are still in force and establish the unity of the Institute, organized for the conduct of the various kinds of credit business it has to do, with separate management for each of them; the administration is in the hands of the board and the proveditor; the Commune appoints all officers and employees; at least half of the net profits must go to increase the capital of the Institute, while the rest may be used for works of beneficence and public utility for the city of Siena.

By Royal Decree of December 7th., 1872, the rules of the *Monte* were fully approved by the Government; and thus the central authority abandoned in behalf of the Commune of Siena all right to the intervention, up to then exercised by it, in the affairs of the *Monte de' Paschi*, and this was no small advantage for the city. It is necessary to observe at once that this renunciation was, in substance, made only for the principal department,

since all the others — Pawn Institute, Savings Bank, Land Credit and Agricultural Credit Departments, — being governed by special laws, were still subject to Government supervision.

The central department is the old stock of the *Monte de' Paschi*; the others are quite modern branches, except the pawn establishment, which might be considered the root. The central department receives savings deposits and contracts money loans according to the principles of common law; the other departments conduct the business entrusted to them by the laws and regulations governing them and it will not be out of place to give a rapid glance at their work and the development they have attained.

#### § 5. THE VARIOUS DEPARTMENTS OF THE MONTE DEI PASCHI, SAVINGS BANK, LAND CREDIT AND AGRICULTURAL CREDIT DEPARTMENTS.

We have already observed that in 1833 the *Monte de' Paschi*, which for more than two centuries had remained almost unchanged, underwent its first transformation, assuming also the functions of a Savings Bank, and we said that from that moment the financial expansion of the Institute really dates. The proveditor had pointed out to the board "the utility, now demonstrated by experience, of savings banks, both for private economy and public morals" and proposed an institution "by means of which the poor might be given an opportunity for increasing their savings." The new institution, though under independent management, was so intimately connected with the *Monte*, that it proposed to place its own surplus with the *Monte*, and draw from it whatever was indispensable to meet unforeseen and excessive demands for the return of deposits.

It might be said that the *Monte* was to become the savings bank of the popular Savings Bank. The rules were approved by Sovereign Rescript of August 23rd., 1833 and the bank began work on January 4th., 1834. In 1863, the foundation of *affiliated banks* in the province began, which, afterwards, were to spread over almost the whole of Tuscany: at first they advanced timidly and it seemed they would never pass the confines of the ancient State of Siena, consisting of the two provinces of Siena and Grosseto, but in recent years affiliated banks and branches of the savings bank have been founded in the provinces of Florence, Pisa, Arezzo and Leghorn.

The second branch, in order of time and importance, added to our *Monte* was the Land Credit Department. In 1853, — it is a precedent that deserves to be recalled to mind, — the Count of Cavour laid before the Subalpine Parliament a bill for the encouragement of land credit institutions in Italy without direct State intervention; the proposal was not favourably received and only in June, 1862 was a new bill presented to the Italian Chamber, which, uniting land and agricultural credit, each supporting the other, in a single institution, tended to make both "conspire in a friendly way to improve the lot of the landholder and farmer." This bill some described as

an importation of the French land credit system, which had just been reorganized by law of July, 1860. It is well to remember that at that date the Chamber had before it the proposal for the sale of the State Land, with the object of withdrawing from the expensive and unremunerative administration of the State the considerable amount of land in its possession, and the Government at the same time was carefully preparing the most suitable instruments of credit for the better and more speedy sale of this land.

The Parliamentary Commission, on whose work the Hon. Signor Broglio was charged to report, consented to grant the exclusive privilege of issuing land bonds (*cartelle*) to the French institute which was to be established in Italy and accepted all the provisions for the facilitation of its working, by the grant of a series of rights and powers, but completely rejected article 2 of the convention in terms of which the *Monte dei Paschi* of Tuscany, the Savings Bank of Lombardy and the General Insurance Institution of Venice were to perish. It was a great piece of good fortune that our glorious and time honoured institute, that had passed uninjured through so many changes of Government, was not sacrificed by modern Italy to a monopolist idea in no way justified by the circumstances.

And not even as amended and modified by the Parliamentary Commission did the ministerial proposal obtain the consent of the Chamber, but the economic necessity of reasonable provisions in the matter was felt by the whole country; so that in September, 1865, the Minister of Agriculture assembled a Congress at Florence of representatives of the Bank of Naples, the Central Savings Bank of Milan and the *Monte de' Paschi* of Siena and invited them to undertake the land credit business of the whole mainland of Italy. In fact by the Convention of October 4th., 1865 between the Government and the above institutions, the Bank of Naples undertook to conduct land credit business in Southern, the *Monte de' Paschi* in Central and the Savings Bank of Milan in Northern Italy. Next year the *Opera Pia* of St. Paul of Turin, founded in the seventeenth century and the Savings Bank of Bologna adhered to the convention. This territorial distribution of land credit was then finally approved and organized by law of June 14th., 1866, in accordance with which the principle was extended to Sicily, 1870, Sardinia, 1872 and to the Province of Rome in 1873. From this first system of regions, later on advance was made in the law of February, 1885 to the national system, power being given to the above institutes to conduct business in any part of the kingdom and others being authorized to undertake it under given conditions. Finally, by the laws of July 17th., 1890 and May 6th., 1891, an Italian Land Credit Institute was founded, with a capital of 100,000 frs. in shares, which really assumed a national character, while the other institutes again became regional.

The land credit department of the *Monte de' Paschi* at first made very slow progress. The new form of credit had inspired great hopes throughout Italy, which very soon gave place to sad disappointments: the lack of a uniform cadastre and the difficulty of proving mortgages, which made the procedure intricate, laborious and very expensive, caused the refusal

of many applications, frustrated hopes and led to the liquidation of many institutes.

As regards the *Monte*, land credit in bonds, *cartelle*, appeared at a disadvantage in comparison with credit on mortgage as granted by its central department. It is true that the latter does not enjoy privileges for collecting its debts and makes the members pay at date of the contract all the charges for stamps, registration etc, while in the case of the land credit system these costs are included in the half yearly instalments and paid off slowly, but the department lends in money and may advance amounts of more than half the value of the landed estate and content itself with a later mortgage. The land credit system, on the other hand, requires a first mortgage, does not grant amounts of more than half the value and pays in bonds (*cartelle*). These bonds were not immediately well received by the people; the borrower is a landowner who borrows to relieve his land of heavy burdens, pay his debts, carry out drainage works or other improvements, a landowner, who is not, as a rule, familiar with commercial business, and, so much the less, with the business of the exchange and hence he does not find it easy to negotiate a special number of bonds in order to obtain the amount he is in immediate need of.

Against these drawbacks and difficulties the *Monte de' Paschi* came to their assistance, as it found that the purchase of bonds was a safe and lucrative investment of the money deposited with it; and it arranged so that the borrower could, in the same Institute, borrow from the land credit department, receive the bonds (*cartelle*) and, presenting himself at another office, obtain their value in money at the ordinary market price.

Thus, the customers of the Institute became used to receiving their loans in the form of *cartelle*.

The land credit department of the *Monte de' Paschi* at first carried on business in the whole of Tuscany, in Umbria and in the Province of Pesaro; it extended it then to Rome, but afterwards ceased working there, owing to losses sustained through the building crisis; it profited sparingly by the right granted it to extend its operations throughout the whole Kingdom, so that up to a few years ago they had not been carried beyond the original district. It was only in 1909 that it abolished all territorial limitation, thus considerably increasing its business. It closed its accounts on June 30th., 1913 with a total of 74,171,202 frs. in loans for land credit, as compared with 29,100,070 frs. in ordinary loans.

Side by side with land credit we find agricultural credit either for improvements or for ordinary farm work; side by side, but perfectly distinct, both in the manner and means of its working and its purposes. It may, however, also assume the form of real credit, inasmuch as a special preference claim on the harvest of the year or the produce stored or else a short term mortgage may be granted as security for the loans to the landowners, but in regard to its objects it cannot have the character of real credit, in so far as the sums borrowed are spent on manure or machinery, the purchase of livestock, seed or plants, that is they go to increase the working capital required for the farm work.

In Italy, there are no legislative provisions relating to agricultural improvement credit; we have, on the other hand, a first law of June 21st., 1869, for the regulation of credit for farmwork, authorizing the foundation of institutes and societies for the purpose of granting farmers and landowners or facilitating for them as sureties, discount, the negotiation of promissory notes, bills of exchange, bills to order, produce warrants etc; and allowing them for the purpose to issue special bonds to bearer, called *buoni agrari* (land bonds), payable at sight.

Before the promulgation of this law the board of the *Monte de' Paschi* decided, by vote of February 22nd., 1869, to undertake by means of its Saving Banks the grant of agricultural credit; but this was only authorized a year after the law was passed and more exactly by Royal Decree of June 15th., 1870, and the work was only begun in the following August and consisted chiefly in discounting bills bearing two signatures of which it was enough that one should be a landowner's. Subventions were also guaranteed on pledge of land bonds and produce and *buoni agrari* were issued, the circulation of which, in amount about 1,200,000 frs. has always been unexceptionable so that the Government has repeatedly renewed the concession. Up to a few years ago, we may say, the *Monte de' Paschi* conducted agricultural credit business in accordance with a high standard and with noble intention, opening current accounts for agricultural consortiums at very low interest, rediscounting bills accepted by these consortiums at the same very low rate, and directly discounting for landowners bills at six months' date, renewable every three months for another three months, with a deduction of one tenth, at 4 % interest; and has always assigned a part of the profits from this special department for prizes for the encouragement of new agricultural methods or the building of healthy and comfortable farm houses.

On December 31st., 1902 the independent agricultural credit business was suppressed and on January 1st., 1903 it was undertaken directly by the Savings Banks, which also make ample provision for commercial credit. The *buoni agrari* have been withdrawn from circulation, so that on the balance sheet for June 30th., 1913 there was only an amount of 200,000 francs shown for them.

Finally, the *Monte de' Paschi* has not neglected the modern forms of thrift. In 1883, it contributed 100,000 francs towards the guarantee funds for the National Insurance Society against Accidents to Workmen in their Labour, undertaking the business for Tuscany and Umbria, in accordance with the law of July 8th., 1883; similarly in 1901 it undertook the agency for the Provinces of Siena and Grosseto, for the National Thrift Bank for Workmen's Disablement and Old Age, founded in accordance with the law of June 17th., 1898.



§ 6. GRANTS MADE BY THE MONTE DE' PASCHI FOR PURPOSES  
OF PUBLIC UTILITY AND BENEVOLENCE.

We shall terminate these notes of ours with a few figures showing the grants made by the *Monte de' Paschi* to institutions of public assistance and benevolence and for the advance of art and culture.

The first grant was made in 1761 in behalf of the University; it was a small subsidy of 200 scudi (the scudo was worth 5.88 frs), continued in the following years up to 1790, and reaching the total amount of 37,330 frs. In 1775 subsidies began to be given to the asylums for pauper lunatics and this also was continued from year to year; in 1786 the *Monte* began its contribution to the normal girls' schools instituted by Pietro Leopoldo for the education and instruction of poor girls; this contribution, increased in amount, is still continued.

The grant to the University, suspended in 1791, was recommenced in 1831 and has been increased lately; in 1887, when our University was placed on an equality with the others, the *Monte* joined with the other local administrative bodies, binding itself to pay into the State Treasury an annual contribution of 22,527 frs; in 1892 at its own expense it built the biological institute, which, with the buildings added to it in succession has cost 190,000 frs.; in 1910 it purchased for 25,000 frs. a large building contiguous with the University for the better accommodation of certain scientific cabinets and especially for the law seminary and its library. Between 1831 and the present date, more than 1,000,000 francs has been granted by the *Monte* to this great and famous centre of study. An amount of more than 900,000 frs. has been up to to-day granted by it to other institutes of education and learning, professional and popular schools, infant asylums, libraries, scientific academies etc

The *Monte* has largely contributed to general works of benevolence and hospitals: in the last eighty years it has granted 1,126,000 francs to institutes for the deaf and dumb and the blind and to workmen's societies, for relief in time of public calamity, and another 600,000 frs. has been granted by it to the Pawn Establishment in subsidies and in contributions to its ordinary working expenses.

The art of the city has benefited very considerably by gifts from the Institute, which has spent more than 400,000 frs. on the restoration and preservation of our monuments; and more than 157,000 frs. in prizes for buildings constructed. On the encouragement of agriculture, industry and commerce and on communications, it has spent up to date 239,000 frs.

But it is the Commune of Siena that has most benefited by the profits of the *Monte de' Paschi*; the latter up to the end of last year had paid over 2,237,000 frs. to its parent city; and the splendid aqueduct would never have been completed without the munificent contribution of the *Monte*,

which engaged to set aside for this sole purpose out of its profits no less than 100,000 frs. a year for the term of fifty years.

So, harmonizing credit and benevolence and savings with the most modern forms of thrift, the *Monte dei Paschi* has gradually adapted itself to the changed conditions of political and social life, has responded to the new currents of local economy, and met the new requirements of the population. It has been able in turn to anticipate, associate itself with and bring to perfection institutes and measures for the relief, encouragement and protection of landed property. It has understood that, in the heat of competition, it is not enough to have a glorious past and very noble traditions; memories are not enough to live on and, in the fierceness of the struggle, it is the strongest and best balanced organisms that resist; and the *Monte*, in accordance with a prudent standard of administration, has striven to increase its own capital, always avoided all speculation, and founded special reserve funds to meet eventual losses and the fluctuations in value of its securities; it has very slowly enlarged its sphere of influence, trying the ground before advancing and retiring in time from regions recognised as dangerous.

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## 2. — WORK OF THE LAND CREDIT INSTITUTES IN 1912.

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- ISTITUTO DELLE OPERE PIE DI SAN PAOLO IN TORINO: Beneficenza e Credito: Conti Consumativi esercizio 1912 (*Institute of the Opere Pie di San Paolo at Turin: Benevolence and Credit: Accounts for the Year 1912*). Turin: Soc. Tip. Ed. Naz., 1913.
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In our Bulletin for last October (1) we gave an account of the work done by the special agricultural credit institutes in 1912 (2). We now shall deal with the work of the land credit institutes for the same year.

### § 1. THE ITALIAN LAND CREDIT INSTITUTE.

In the year 1912 there were 360 applications presented to the above Institute for loans for 39,099,000 frs. in all, which, added to the 663 for 40,685,000 frs. made in 1911 and held over for consideration or the con-

(1) *Bulletin of Economic and Social Intelligence*, October, 1913, pp. 55 et seqq.

(2) As regards the Provincial Land Credit Bank for Basilicata, the figures in the last four columns of the table on page 62 of the Bulletin for October, 1913 should be respectively corrected to 634,495 frs.; 780,488 frs. and 1,414,984 frs. See with regard to this the Report of the Bank for the Year 1912. Potenza, Typ. Garramone e Marchesello, 1913.

sideration of which has been resumed, make a total 1,023 for about 80,000,000 frs.

These 360 applications were divided as under in respect of the nature of the real estate offered as security:

156	secured on rural land . . . . .	frs. 15,203,000
190	"    urban " . . . . .	21,037,000
14	"    both urban and rural land " . . . . .	2,859,000

Of these, 210 for an amount of 14,206,750 frs. were finally granted, 127 of them for 8,041,750 frs. on urban land, especially in the cities of Rome and Naples, and 83 for 6,165,000 frs. on rural land, notably in Campania (16 loans for 1,322,000 frs.), in Apulia (27 loans for 1,816,500 frs.), and Emilia (9 loans for 1,591,500 frs.).

The average amount of the loans in 1912 was 67,650 frs.

From the foundation of the Institute (1890) up to December 31st., 1912, 3,035 loans were passed for an amount of 244,283,050 frs., 128,129,800 frs. being granted in 1,768 loans on rural land, and 116,153,250 frs. in 1,267 loans on urban land.

These loans were distributed as follows, according to the rate of interest:

Interest	Number	frs.
Rate of interest 4 ½ % . . . . .	775	54,801,000
"    "    4 % . . . . .	1,085	80,303,250
"    "    3 ½ % . . . . .	1,225	109,178,800
	<hr/>	<hr/>
	3,035	244,283,050

And according to the amounts lent as follows:

	Number	frs.
20,000 frs. or less. . . . .	1,270	14,573,500
Between 20,500 and 50,000 frs.	842	28,470,750
"    50,500 " 100,000 "	420	31,748,900
"    100,500 " 500,000 "	437	93,146,400
"    500,500 " and over. .	66	76,343,500
	<hr/>	<hr/>
	3,035	241,283,050

Finally, they were divided as follows, according to the term for which they were granted.

	Number	fr.
Between 10 and 20 years . . .	363	15,903,500
» 20 » 30 » . . .	593	26,775,500
» 30 » 40 » . . .	808	65,639,950
» 40 » 50 » . . .	1,271	135,964,100
	<hr/> 3,035	<hr/> 244,283,050

And since between 1891 and the end of 1912 the borrowers had repaid 79,391,247 frs., the balance of the loans remaining on December 31st, 1912 was 164,891,802 frs.

## § 2. LAND CREDIT GRANTED BY THE SAVINGS BANK OF THE LOMBARD PROVINCES.

In 1912, the above Bank received 857 applications for loans for a total of 73,999,000 frs. which, with the 1,039 for 81,644,500 still under consideration at the beginning of the year, make a total of 1,896 for 155,643,000 frs.: 344 for an amount of 24,866,500 frs. were definitely granted.

There were 108 loans for 10,711,500 frs. granted on rural land, 230, for 13,857,500 frs. on urban land and 6, for 297,500 frs. on both rural and urban land.

The provinces that received the largest credits on the security of rural land were those of Milan, 14 loans for 1,542,000 frs., Cremona, 8 loans for 1,079,500 frs., Ferrara, 5 loans for 2,137,000 frs. and Ancona, 5 loans for 1,354,500 frs.

More than half the loans were for amounts of between 10,000 and 50,000 frs. and for a term of between 30 and 40 years.

The Milan Savings Bank in the same year also arranged loans on mortgage in money for more than 10,000,000 frs., so that, altogether, it granted in the year 1912 alone about 35,000,000 frs. to landowners.

§ 3. LAND CREDIT GRANTED BY THE BOLOGNA AND VERONA SAVINGS BANKS  
AND THE SARDINIAN LAND CREDIT INSTITUTE.

In 1912, the *Bologna Savings Bank* granted 222 loans for a total of 8,173,500 frs. Of these 115, for 4,672,500 frs., were secured on rural land, 93, for 2,043,000 frs. on urban land, and 14, for 1,468,000 frs. on both rural and urban land together.

Further, 16 loans were for between 500 frs. and 5,000 frs., 45 for between 5,000 frs. and 10,000 frs., 71 for between 10,000 frs. and 20,000 frs., 29 for between 20,000 frs. and 30,000 frs., 13 for between 30,000 frs. and 40,000 frs., 16 for between 40,000 frs. and 50,000 frs., 18 for between 50,000 frs. and 100,000 frs., and 14 for more than 100,000 frs.

The provinces which received the largest amount of credit were Bologna (159 loans for 5,970,000 frs.) Forlì (18 loans for 680,500 frs.) and Ravenna (13 loans for 439,800 frs.).

From the foundation of the Institute (1868) up to December 31st., 1912, 3,091 loans were passed for a total amount of 116,810,000 frs. The average amount was therefore 37,790 frs.

As regards the *Verona Savings Bank*, 248 applications were made to it for loans in the year we are considering, for a total amount of 9,561,000 frs. but the loans granted were only 176 for an amount of 6,215,000 frs.

From the date at which it commenced working (1902) up to December 31st., 1912, the Bank granted 836 loans for a total amount of 25,000,000 frs.

Finally, the *Sardinian Land Credit Institute*, a limited liability society, with fully paid up capital of 2,400,000 frs., showed in its balance sheet for 1912 an amount of 347,182 frs. for mortgage credit (including capital, interest and other amounts). The loans current on December 31st., last year, were 137 for a total amount of 1,904,653 frs.

§ 4 THE LAND CREDIT GRANTED BY THE "INSTITUTE OF OPERE PIE  
OF SAN PAOLO" AT TURIN AND THE "MONTE DEI PASCHI" OF SIENA.

In the course of 1912, 493 applications were made to the *Institute of Opere Pie of San Paolo* for loans for a total amount of 33,522,000 frs. and 232 for an amount of 11,297,500 frs. were granted. Of these loans, 203, for 8,253,000 frs. were secured on urban land, 25 for 2,644,500 frs. on rural, and 4, for 400,000 frs. on both urban and rural land.

Most of the loans were granted in the provinces of Genoa (82 for 2,143,000 frs.), Turin (100 for 3,585,500 frs.), Milan (12 for 1,145,000 frs.) and Rome (7 for 1,507,500 frs.).

As regards their amount, 143 for a total of 1,121,000 frs. were loans each of them for not more than 20,000 frs., 87, for a total of 8,706,500 frs.,

for amounts varying from 20,000 to 500,000 frs. and 2 for a total of 1,470,000 frs. for amounts of about 500,000 frs. and 1,000,000 frs.

Finally, with regard to the date of repayment, 116 loans of a total amount of 7,549,000 frs. were for a period of from 46 to 50 years; 72, for an amount of 1,110,000 frs. for from 10 to 25 years, and 44, for 2,638,500 frs., for a term of from 16 to 45 years.

Adding to the loans granted in 1912 those for the preceding years beginning with 1867, we find that the Institute had granted altogether up to December 31st., 1912, 5,282 loans for 215,923,500 frs.

Lastly, the *Monte dei Paschi* of Siena granted 388 loans on mortgage in land bonds in 1912, for the amount of 11,322,500 frs. Adding to these 51 loans in cash for 2,632,700 frs., concluded, that is, according to the rules of common law and not of the special law on land credit, we arrive at a total of 439 credit on mortgage operations for a total amount of 13,955,200 frs.

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In conclusion, the seven above mentioned land credit institutes, working in Italy, in 1912, granted, loans on mortgage for an amount of about 76,400,000 frs.

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## Part IV: Miscellaneous

### LATIN AMERICA.

#### MISCELLANEOUS NEWS.

##### MEXICO.

I. — ENCOURAGEMENT OF HOME COLONISATION. — In the last Report presented to the Union Congress on the 16th. of September last, the President of the Republic gave account of the work accomplished by the Government in the first six months of 1913 for the encouragement of the progress of agriculture, which is one of the principal sources of the wealth of the country, by promoting home colonisation.

We shall here summarise the Report. During the period 46,485 hectares of national land divided into small holdings were sold and realised for the Treasury an amount of 70,335 pesos.

The work of marking out and subdividing the national land has been commenced in the States of San Luis de Potosi, Michoacán, Veracruz, Tlaxasco, Chiapas, in the Territory of Lower California and in the Federal District, and the co-operation of the local governments has been obtained or the carrying out of the necessary work in order that the land may be utilised by the small farmers.

The Government has now 9,229 hectares subdivided and ready to be allotted as small holdings.

At San Juan de los Reyes, in the State of Veracruz, 8,000 hectares have been divided for the establishment of a colony and in the State of Tabasco, 25,000 hectares, suitable precautions being taken in order that the Government may recover possession of the land in case of non-fulfilment of contract.

In future contracts of lease of national land the Government proposes to reduce the area in order that the farm may be more satisfactorily worked and the greatest profit derived from it.

With regard to reforestation the report gives the following statistics. The area suited to forest cultivation is approximately 100,000,000 hectares, the wooded region covering 30,000,000 ha. and the proportion of the State Forests being from 10 to 15 %.



In the Federal District the number of trees planted was 748,057 and the number of those planted in the various States of the Republic was 61,754.

(Summarised, from the *Economista Mexicano*, of September 20th., 1913).

\* \*

2. — INSTITUTION OF ARBITRATION COMMISSIONS FOR AGRICULTURAL LABOUR IN THE STATE OF TABASCO. — One of the greatest impediments up to the present in the way of Mexican agriculture has been the insufficient labour supply. To this difficulty, very serious in itself, we must add those caused in certain States of the Union, as, for example, that of Tabasco, by the non-fulfilment of the engagements undertaken for the benefit of the labourers.

In view of these evils, the Congress of the State of Tabasco has approved a decree establishing institutions for facilitating the settlement of these difficulties in all the principal municipalities.

These institutions will be called *Arbitration Commissions for Agricultural Labour*. Their duty is to intervene to settle, without their being brought into court, all questions of civil law which may arise between the rural landowners and their labourers with regard to the carrying out of their contracts, and particularly those in relation to abandonment of work, receipt of wages and settlement of accounts.

Each commission will be formed of four members, and its president will be the chief political authority of the municipality. Of these four members, two must be councillors and two farmers.

The decree finally authorizes the Government to amend the law and, if it deems fit to pass one or more entirely new special laws on the agricultural labour contract and to amend the existing laws, in so far as they relate to the matter.

(Summarised from the *Economista Mexicano* of July 26th., 1913).

#### SALVADOR.

INSTITUTION OF PUBLIC GRANARIES. — By recent Executive Decree, the Government of the Republic has decided that public granaries or store-houses shall be founded in the chief towns of the departments for storage of agricultural produce the farmers may desire to keep back in order to get their prices and for more favourable markets.

These granaries will be under the supervision of the Agricultural Department Commissions.

Those desirous of storing their grain in these granaries must apply to the manager of the commission, who will authorize and deliver receipt. The depositors will pay storage at the rate of 3 centavos (15 centimes) a month per *fanega* of grain stored. The proceeds will be used to meet the cost of maintaining the granaries.

The depositors may withdraw all or part of their produce at pleasure.

It is clear what evident advantages these granaries will obtain for farmers of medium sized farms who now have to hasten to sell, often at a loss, for want of storehouses in which to keep their produce while waiting for more favourable conditions of sale.

(Summarised from the *Boletín de la Unión Pan-Americana*, August, 1913).

#### URUGUAY.

ENCOURAGEMENT OF AGRICULTURAL COLONISATION AND LIVESTOCK IMPROVEMENT. — Our readers already know the present tendencies of the agricultural policy of Uruguay in favour of home colonisation and of the sociation of agriculture and livestock improvement (1). The latest manifestation by the Government of this policy is the law of January 20th., 1913, authorizing the issue of a loan, which will be used for agricultural colonisation and livestock improvement.

This loan, called the colonisation loan, will be for 500,000 pesos at 5% interest, with 1% sinking fund. The bonds cannot be sold at less than 95%.

The amounts obtained by this loan will be used for purchase and subdivision of land, which will afterwards be sold for colonization of the above kind.

If the Government does not think it profitable to purchase farms offered for sale by private persons, it is authorized to have recourse to their expropriation, considering them as land of public utility, from date of the publication of the new law.

The parcels may be sold to colonists for cash and to be paid for at a fixed date, but the maximum term allowed for payment will be 30 years and in that case, the land shall be mortgaged until the whole purchase price is paid.

The price of the parcels shall include, besides the amount spent by the State in acquiring them, the value of the land lost through construction of roads and streets, the cost of surveying etc., so that the total produce from the sale of each colony is as nearly as possible equal to what it has cost the state. No colonist may buy more than one parcel.

The holdings thus formed will be exempt from real estate duty for ten years from date of contract of sale, on condition, however, that at least half the area be cultivated.

Similarly, no writ of execution can affect them and they are exempt from seizure for debts contracted by their owners before and during the first five years of their possession, except for such as may be due through the mortgage mentioned above.

(Summarised from the *Diario Oficial* of February 21st., 1913).

(1) With regard to the agricultural policy of Uruguay and the recent laws on agricultural credit, see *Bulletin of Economic and Social Intelligence*, September, 1913 pp. 76 et seqq.

## DENMARK.

### HOME COLONISATION IN DENMARK FROM 1901 TO 1911.

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### § I. INTRODUCTION.

Denmark was the first country in Europe in which the Government took measures for the constitution of small agricultural holdings. Already towards the end of the 18th. century, the laws by which the great land reform was effected provided for the formation of such holdings together with the usual peasants' holdings. Indeed the foresight of the Danish legislators is to be admired in that more than a hundred years ago they understood and practically demonstrated the importance of firmly attaching the agricultural labourer to the soil.

Thanks to the measures then adopted, a large number of small rural holdings were formed. Unhappily, the time was not yet ripe for such step; some generations ago, it was even found there were too many labourers' holdings and the formation of a peasant proletariat began to be feared. The influence of these fears is met with even in official reports, like that of the large agricultural commission of 1849 and that of the commission appointed in 1875 to study the labour question.

However, towards 1880, manufactures on a large scale began to extend in the country causing a very considerable rural exodus. At the same time migration was increasing. The country was threatened with a dearth

of labourers, just at the moment when more were needed on account of the increased cultivation.

Then people began to consider the formation of small holdings as possibly the solution of the crisis. Various small enterprising farmers also were able to show very good results of their farm work. Let us add that co-operation, which had made progress on many farms throughout the country, and also the continually increasing advance of education facilitated the task to a remarkable degree.

In 1894 a commission was appointed to study the question and draft a bill and five years later, in 1899, the first law on the formation of agricultural labourer's holdings was promulgated, by way of experiment for five years. The text was revised on April 22nd., 1904 and April 30th., 1909, and will again be revised in 1914.

This legislation, by which large credits are granted to the rural population, has attracted much attention. With each new vote the holdings to be formed have increased in number and the group of persons receiving credit has been enlarged and, at the same time, the credit granted by the State has increased. In the various provisions there can be seen the various tendencies by which their proposers were inspired. The first law was drafted entirely on the suggestion of the large country land owners, who wanted to assure themselves of a sufficiently large number of permanent agricultural labourers. In the last two laws and above all in that of 1909, the desires of the rural population are principally considered. That of 1899 was a law on the formation of agricultural labourers' holdings, that of 1909 is rather one for home colonisation.

The Danish Statistical Bureau has just published a very interesting report on the results obtained up to the present.

Before reproducing these results and in order that their importance may be better understood, we shall first of all give a summary, in as few words as possible, of the existing organization of home colonisation in Denmark.

## § 2. ORGANIZATION OF HOME COLONISATION.

For direction and supervision of the formation of labourers' holdings Commissions have been formed in the district of each general council (*Amts- raadskreds*). They are composed of three members, one of whom, the president, is appointed by the Minister of Agriculture. The two other members, as well as a deputy for each, are elected by a body consisting of two delegates from each of the communes of the district. The members of the Commission only receive a very small remuneration from the Treasury.

Any man (or unmarried woman) whose principal means of subsistence is derived from ordinary agricultural or horticultural labour, performs for other persons in return for wages, may benefit by the law of April 30th 1909 and become a "State peasant farmer" (*Statshusmand*). Rural lab

ourers who can be assimilated with farmers, such as brickmakers, fishermen who have not directly shared in the State loan, and any other persons living partly by ordinary agricultural labour, may also benefit by the law.

The party concerned must be a Dane, at least twenty five years old and (save in exceptional cases) under fifty, must not have been condemned by the courts for an act dishonouring him in public opinion and not have had recourse to public assistance. He must also have been engaged in agricultural labour for at least four years since the completion of his eighteenth year and be incapable of attaining the position of a landowner by means of his own resources, but possess the tenth part of the value of the holding applied for. The applicant must also present: 1st., a certificate from two trustworthy persons well acquainted with him, that he is diligent, sober and economical and may be considered capable of farming the lot in question; 2nd., a certificate from the municipal authority (*Sogneraadet*) of the commune in which he resides, to the effect that he is considered suitable to become a peasant farmer.

Besides the special commissions we have mentioned, also the municipal authorities have to assist in the work of colonisation. When a labourer desires to purchase a holding, but is not able to specify the holding he wishes to possess, he may apply to the municipality, which must try to induce private landowners to offer land on acceptable conditions. If they are unsuccessful in this and the council finds there is a suitable holding in the possession of the commune, it shall enter into negotiations with the competent authorities for the transfer of the land at a suitable price and afterwards inform the party concerned of the result of the steps that have been taken.

When either personally, or with the assistance of the municipality, an applicant has made choice of a holding he desires to purchase by means of a loan from the State, he must forward his application to the president of the Colonisation Commission, together with a declaration by which the municipality certifies that the holding specified may be considered adapted to the purpose and that the estimate of its value is reasonable.

The Commission then examines whether all the conditions have been fulfilled and visits the holding to assure itself of its suitability for a small farm and that the price fixed for the land is fair. If the applicant possesses buildings he wishes to include in his farm, the Commission must, further, see if these buildings are suited for the purpose and fix the amount of their value. The Commission also must see that the holding has a favourable aspect and is well placed in regard to the roads and that, in case of there being no well and no possibility of sinking one, the holding will still have a sufficient supply of water.

If the Commission judges that the application cannot be granted, the applicant is informed of this, as well as of the reasons for the refusal. He may appeal against the decision to the Minister of Agriculture.

The loans granted by the State may amount to  $\frac{1}{10}$  ths. of the value of the holding, the possession of one tenth by the applicant being insisted upon. The holdings cannot be less than one hectare in area, but as a rule

may not exceed 6,500 crowns (1) in value and, in exceptional cases, 8,000 crowns, including the cost of the buildings, livestock and furniture. Finally, each individual can only obtain a loan for a single holding.

Repayment of the loan is secured on mortgage of the real estate and a preference mortgage on the personal estate of which only the land tax shall have precedence. The interest is 3 % per ann; repayment of the principal only begins in the sixth year.

Repayment of the loan cannot be demanded as long as the payments due on it are regularly made, the holding cultivated according to the system in general use, and provided with the livestock and plant necessary for farming. The buildings, livestock and plant must be insured against fire in a company recognised by the State. The Colonisation Commission shall assure itself, once every three years, that these regulations are conformed to.

The holding must not be subdivided nor united with another, nor exchanged for another, without special permission from the Minister of Agriculture, granted after consultation with the municipality. It can only be transferred to a son or son-in-law of the grantee or another person fulfilling the general conditions of the law. On the death of the owner his widow may continue in the relation of the defunct to the Treasury, provided she remains in possession of the holding; if she remarries the relations with the Treasury shall only continue if the second husband fulfils all the conditions imposed on colonists. The same rule holds, *mutatis mutandis*, in the case of the simple marriage of an heiress.

The 1909 law also authorizes a landowner to bequeath his farm by will, provided only that this be to a single direct heir, satisfying the requirements of the law. On the other hand, the provisions of preceding laws declaring the holding undistrainable have been abrogated as they were found to damage the credit of the peasant landowners.

Let us add that the credit granted by the State for home colonisation fixed at 2,000,000 crowns in 1899, was raised to 3,000,000 crs. in 1904 and to 4,000,000 crs. in 1909. The amounts not required in one year are brought forward to the next.

### § 3. RESULTS.

#### A. — Amount and Number of Loans. Area and Value of Holdings.

The total number of small farms founded between 1901 and 1911, in conformity with the laws of 1899, 1904 and 1909, was 5,777 and the Treasury loans amounted to 25,410,148 crowns, as appears from the following table.

(1) A Danish crown is equal to 1.39 fr.

TABLE 1. — *Number and Amount of Loans Granted by the State.*

Year (1)	Number of Loans	Amount of Loans (in crowns).
1900-1901 . . . . .	209	713,770
1901-1902 . . . . .	247	860,504
1902-1903 . . . . .	367	1,278,629
1903-1904 . . . . .	551	1,945,126
1904-1905 . . . . .	485	1,732,204
1905-1906 . . . . .	669	2,861,262
1906-1907 . . . . .	647	2,856,379
1907-1908 . . . . .	645	2,924,760
1908-1909 . . . . .	662	3,133,834
1909-1910 . . . . .	610	3,042,221
1910-1911 . . . . .	685	4,061,459
Total . . . . .	5,777	25,410,148

(1) The working year closes on March 31st.

As we see, in the early years, the Credit allowed by the State was far from being taken advantage of, but the loans have gone on continually increasing, so that in the last year the estimate was exceeded, although the Colonisation Commissions proceeded with the greatest prudence and held over numerous applications to the following year, with precedence of any others.

The average area of the farms has continually increased. Between 1901 and 1905 it was 316 ares; it increased between 1905 and 1910 to 366 ares and in the last working year to 422 ares. Further, it will not fail to be observed, in the following table, that only the percentage of farms of between 221 and 441 ares remains unchanged; those of less than 221 ares become less and less numerous and the number of those of more than 441 ares increases.



TABLE II. — *Percentage of Farms Classified according to Size.*

Area in Acres	Percentage (%)		
	1900-1905	1905-1910	1910-1911
From 110 to 165 . . . . .	3.91	1.07	0.76
» 165 » 221 . . . . .	16.59	4.79	1.37
» 221 » 276 . . . . .	26.86	14.25	5.50
» 276 » 331 . . . . .	19.29	21.24	14.05
» 331 » 386 . . . . .	10.58	21.04	23.21
» 386 » 441 . . . . .	7.77	11.09	20.76
» 441 » 662 . . . . .	11.36	21.17	25.34
» 662 » 882 . . . . .	2.76	4.37	6.41
882 and over . . . . .	0.88	0.98	2.60

Let us add that the small farms founded between 1905 and 1910 are not only larger than those of earlier foundation, but the soil is richer, so that we find the value of the small holdings continually rising; the average value of the farms earliest founded, between 1900 and 1905 was 4,021 crs., that of those founded between 1905 and 1910, 5,317 crowns; that of the latest founded (1910-1911), 6,687 crowns. It is true that the price of land has also risen, increasing from 659 crowns per hectare in 1900-1905 to 783 crowns in 1905-1910 and 820 crs. in 1910-11.

Between 1900 and 1911, 651 small farms were sold and 110 changed hands more than once. However, if we consider the total number of farms founded during the period, we find that the sales were only 2.6 % per ann., a percentage far lower than that of the ordinary sales of rural holdings which was about 8 % between 1905 and 1909.

This shows that the small State farms have not been injured by speculation.

Besides these voluntary sales, 16 took place by order of the courts, causing a loss to the Treasury of 9,120 crs. in principal and 1,876 crs. in interest.

#### B. — *Condition and Origin of the Purchasers.*

The Enquiry of the State Statistical Bureau shows that 5,441 small farms (out of 5,777 formed) were inhabited by 26,531 persons, or on an average, 4.91 persons per farm (1).

(1) Of the 336 farms not included in the Enquiry, 166 were already freed from their debt to the State and we have no information in regard to the other 170.

With regard to the age, condition and profession of the purchasers, interesting information may be found in the following tables prepared on April 1st., 1911.

TABLE III. — *Age of Purchasers.*

	Number of Persons	Percentage
25-30 years . . . . .	1,548	28.5
30-40 " . . . . .	2,347	43.1
40-50 " . . . . .	1,247	23.4
over 50 " . . . . .	32	4.4
Unknown . . . . .	32	0.6
Total . . . . .	5,441	100.0

TABLE IV. — *Condition of Purchasers.*

	Number of Persons	Percentage
Married before Establishment on the Farm . . . . .	4,470	82.2
Married in the Year of Establishment on the Farm . . . . .	565	10.4
Unmarried . . . . .	307	5.6
Condition Unknown. . . . .	32	1.8
Total . . . . .	5,441	100.0

TABLE V. — *Profession of Purchasers.*

	Number	Percentage
Agricultural Labourers. . . . .	3,958	72.8
Labourers on Wages . . . . .	527	9.7
Artisans . . . . .	405	7.4
Miscellaneous (1) . . . . .	440	8.1
Profession Unknown. . . . .	111	2.0
Total . . . . .	5,441	100.0

(1) Amongst these, 76 dairymen, 49 wooden shoemakers, 49 brickmakers, 46 wood cutters, men, 27 carriers, 25 road labourers.

As we see, it is specially labourers who are married or about to marry who desire to become landowners.

Table VI shows the amount of labour for wages done by a certain number of farmers on holdings other than their own:

TABLE VI. — *Wage Labour of Farmers.*

Area of Farms in Ares	Working Year	Number of Farms	Number of Farmers working on other Holdings	Average Number of Days of Labour for Wages per Year
110 to 221 . . .	1900-1905 . . . . .	225	192	158
	1905-1910 . . . . .	208	175	175
	1910-1911 . . . . .	14	11	198
221 to 331 . . .	1900-1905 . . . . .	604	477	135
	1905-1910 . . . . .	1,064	856	138
	1910-1911 . . . . .	126	105	159
331 to 441 . . .	1900-1905 . . . . .	366	274	116
	1905-1910 . . . . .	940	689	11
	1910-1911 . . . . .	288	228	12
441 and over . .	1900-1905 . . . . .	475	258	10
	1905-1910 . . . . .	804	489	11
	1910-1911 . . . . .	223	139	10

It is not surprising that the number of farmers working less and less on other holdings is increasing. But it will be regretted that the State Statistical Office has not indicated to what we may attribute the fact that the average number of days of labour for wages seems to increase as the years go on, in every class.

C. — *Amount of Livestock and Mode of Utilisation of the Soil;  
Co-operative Action of the Farmers.*

The Statistics of the number of Head of Livestock including Poultry owned by the State farmers are important, as they permit of our appreciating the economic situation of the peasant farmers. The statistical return to which we have already referred gives us the situation of 5,374 farms, as regards their livestock, on April 1st, 1911. At that date, as we shall see in the following table, there were on their farms 5,187 horses, 22,079 head of horned cattle, 33,623 pigs, 1,156 sheep and 155,250 fowls.

TABLE VII. — *Number of Head of Livestock including Poultry on the Various Farms.*

Average Area of the Farms in Acres	Number of Farms	Total Area in Hectares	Horses	Horned Cattle	Pigs	Sheep	Fowls
110 to 221 . . . .	411	712	178	1,195	2,053	51	12,070
221 to 331 . . . .	1,814	4,742	1,233	6,524	10,898	180	58,247
331 to 441 . . . .	1,612	5,830	1,633	6,907	10,394	234	45,839
441 to 662 . . . .	1,184	5,932	1,557	5,511	7,824	387	29,892
662 and over . . . .	353	2,946	586	1,942	2,454	504	9,202
Total . . . .	5,374	20,162	5,187	22,079	33,623	1,156	155,250

As this table does not show the average number of head of livestock for each farm we shall complete it by the following:

TABLE VIII. — *Average Number of Head of Livestock including Poultry, per farm in 1906 and 1911.*

Average Area of the farms in Acres	Number of Head of Livestock on April 1st, 1906					Number of Head of Livestock on April 1st, 1911				
	Horses	Horned Cattle	Pigs	Sheep	Fowls	Horses	Horned Cattle	Pigs	Sheep	Fowls
10 to 221 . . . . .	0.2	2.8	3.8	0.2	27	0.4	2.3	5.0	0.1	29
21 to 331 . . . . .	0.3	3.0	3.7	0.3	26	0.7	3.6	6.0	0.1	32
31 to 441 . . . . .	0.5	3.3	3.2	0.5	23	1.0	4.3	6.4	0.1	28
41 and over . . . . .	0.8	3.6	3.2	1.3	22	1.4	4.8	6.7	0.4	25
General Average . . . .	0.4	3.1	3.5	0.5	25	1.0	4.1	6.3	0.2	29

As we see, except in the case of sheep (1), the number of head of livestock per farm has considerably increased in the space of five years. It seems that the immediate anxiety of the farmers, from the moment of their installation was to have at once a sufficient number of horned cattle. Only afterwards they put themselves out to get horses, but the increase in the number of the latter has been far more rapid. It will not

(1) This is quite usual. Consulting ENGELBRECHT'S *Landbauwesen* Atlas, (T. H. ENGELBRECHT, *Die Landbauwesen der Aeusserotropischen Laender*, Berlin, 1899, 3 vol. 4to.), we find both in the Old World and in America a progressive decline in sheep farming, in proportion as the population increases in density.

be without interest to compare the situation of the colonists' farms, from the point of view of the livestock on them, with that of ordinary farms of about the same area. On April 1st., 1911, on 100 hectares farmed there were:

	Horses	Horned Cattle	Pigs	Sheep	Fowls
On Small Farms of from 55 to 495 ares (1) .	23	117	104	22	1,430
On Colonisation Farms . . . . .	26	110	166	6	770
The General Average being . . . . .	17	68	53	28	750

(1) According to the General Statistical Return of 1909.

It will not fail to be remarked how small is the number of sheep and how great, on the other hand, the number of pigs on the colonisation farms.

Let us now see in what manner the colonists utilise the land they have obtained the grant of. The enquiry instituted by the Statistical Office obtained information on this point with regard to 5,163 colonists, and the following table allows of our making a comparison between their farm and the total cultivated area of Denmark as shown in the Statistical Return for 1907.

TABLE IX. — *Distribution of the Cultivated Soil.*

	Of 5,163 Colonists' Farms in 1911		Of the Whole Area Cultivated in 1907 — %
	Hectares	%	
Autumn Sowing . . . . .	2,205	11.9	10.9
Spring Sowing . . . . .	6,294	34.0	28.6
Root plants and Tubers . . . . .	3,623	19.6	10.7
Fallow Land . . . . .	960	5.2	8.0
Gardens . . . . .	678	3.7	1.8
Other Farms . . . . .	4,749	25.6	40.0
Total . . .	18,509	100.0	100.0

Let us, finally, add that of 5,149 farmers, 4,689 or 91 % were members of co-operative dairies; 2,880 or 56 %, of co-operative slaughterhouses; 1,023 or 20 % of co-operative societies for the sale of eggs; 94 or 1.8 % of livestock improvement syndicates. These percentages, of which the first two exceed the average for farmers of farms of the same area by 6 and 16 respectively, show the great importance of co-operation for the farmers.

## GREAT BRITAIN AND IRELAND.

### I. SYSTEMS OF LAND VALUATION IN THE UNITED KINGDOM.

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#### PART II.

##### *THE VALUATION OF THE UNITED KINGDOM NOW PROCEEDING UNDER MR. LLOYD GEORGE'S BUDGET OF 1910.*

In the preceding part of this article, which appeared in the Bulletin of December, a description was given of the systems of Land Valuation in vogue in the United Kingdom prior to the famous Budget introduced by Mr. Lloyd George known as the Finance (1909-10) Act 1910. It was explained that such systems are still in force and are in no way impaired by this Finance Act.

In this second part of the article an attempt is made to explain:

- (1) the provisions of this Finance Act in so far as it institutes a new system of valuation of the whole of the lands in the United Kingdom known as the "Original Valuation:"
- (2) the purpose of the Valuation to the extent to which it is revealed in the Finance Act, namely the imposition of certain land value duties:
- (3) the further purposes for which the valuation when completed might be used if the Legislature so directed:
- (4) the valuation and taxation of minerals.

It will be convenient to take these four headings seriatim.

#### I. THE SYSTEM OF THE "ORIGINAL VALUATION" OF THE UNITED KINGDOM.

The System is absolutely uniform throughout England, Scotland, Ireland & Wales, forming a favourable contrast with the great variations in valuation systems in different portions of the Kingdom as described in Part I of this article.

The Commissioners of Inland Revenue are charged with the duty of carrying out the valuation throughout the entire kingdom. The Commissioners are of course permanent civil servants of the Crown and are few in number. They instituted a Valuation Office or Department of the Inland Revenue composed of permanent civil servants and temporary officials.

The Valuation Office consists of a Chief Valuer and Deputy Chief Valuer for England and Wales, stationed at the head office in London, 13 Superintending Valuers stationed at various provincial centres throughout England and Wales in charge of divisions of the country, 115 District Valuers in charge of districts within such divisions, and the District Valuers are each in immediate control of a staff of valuers, valuation assistants, draughtsmen and clerks. As regards Scotland, there is a Chief Valuer for Scotland stationed at Edinburgh, with 1 Superintending Valuer, 10 District Valuers and the staffs immediately under them. In Ireland the work of valuation is being carried out on behalf of the Commissioners of Inland Revenue by the Commissioner of Valuation, the machinery of the Government Valuation Department in Ireland having been previously in existence for other Local and Imperial taxation purposes as described in Part I of this article.

It will thus be seen that a chain of control by steps of decentralisation was the guiding principle in the formation of the Valuation Office.

Those of the staff who are permanent civil servants are almost without exception either Fellows (known also as Chartered Surveyors) or Professional Associates of the Surveyors' Institution. This Institution possesses a Royal Charter to secure the advancement and facilitate the acquisition of the knowledge of the profession of a Surveyor and to extend the usefulness of such profession for the public advantage, and after thorough and exhaustive examinations issues Diplomas to Fellows or Professional Associates as a result of such examinations subject to enquiry into and consideration of the practical experience and standing of the examinees. A large proportion of the temporary valuers are also members of the Surveyors' Institution.

The Finance Act directed the Commissioners as soon as may be after the passing of the Act (29th. April, 1910) to cause a valuation to be made of all land in the United Kingdom. "Land" includes all houses, buildings, structures, timber, fixed machinery that would at common law pass on the transfer on sale of a fee simple in the absence of any express stipulation, and rights of sporting. In other words "land" is used in the comprehensive sense of real property as opposed to personal or chattel property. Each piece of land which is under separate occupation is to be separately valued and the value is to be estimated as on the 30th. April, 1909. The owner can however absolutely require any part of an occupation to be separately valued, and may desire the Commissioners to aggregate several contiguous occupations in one separate valuation provided that the area does not exceed 100 acres, whereupon if the Commissioners consider that there are special circumstances rendering it equitable so to aggregate, they are to comply; but the unit of valuation is generally the unit of occupation.

The Commissioners are empowered to call for returns from any owner or person receiving rent, giving particulars as to the rent, ownership, tenure and such like. Accordingly a form of return known as "Form 4" was prepared and 10,931,236 of these forms were issued to owners mostly in August, 1910, and 93.23 per cent of these were received by the Commissioners up to the 31st. March, 1913. These figures exclude Ireland. The form of return is shown in Appendix I.

The Commissioners obtained copies of the Poor Rate Valuation List for each Parish (shown in Appendix II of Part I of this article) in force on 30th. April, 1909, and the information there given as to owner, occupier, area and poor rate assessment was placed upon Forms 4 before issue to the owners, to enable them to identify the property concerned by each Form 4. At the same time the opportunity was taken to give an identification number to each Form 4 to correspond to a serial number inserted against each hereditament or separately rated occupation appearing in the copy of the Poor Rate Valuation List. These identification numbers in each parish are the permanent means by which the new Valuation Book is related to the record plans of the Commissioners and by which owners can relate their properties to the respective units of valuation.

It will be observed by a reference to the second part of Form 4 in Appendix I that the owner could if he so desired furnish the Commissioners with his opinion of the value of the property, whereupon the Commissioners are to give it their consideration before fixing the values; but this option has been very rarely exercised.

A penalty not exceeding £50 can be imposed through the Courts under the provisions of the Finance Act in case of failure to return Form 4; but the writer is not aware of any instance where it has been found necessary to exact a penalty.

Persons who pay or receive rents can be required to state the names and addresses of the persons to whom the rents are paid or on behalf of whom they are received.

Powers of Inspection of property by the Commissioners' valuers are given in the terms following:

"For the purpose of the exercise of their powers or the performance of their duties under this Part of this Act in reference to the valuation of land, the Commissioners may give any general or special authority to any person to inspect any land and report to them the value thereof, and the person having the custody or possession of that land shall permit the person so authorised, on production of the authority of the Commissioners in that behalf, to inspect it at such reasonable times as the Commissioners consider necessary. If any person wilfully fails to comply with the provisions of this section he shall be liable to a penalty not exceeding fifty pounds to be recoverable in the High Court."

The word "land," as previously explained, includes the houses, buildings, etc.

This power of inspection has been previously given to various Crown and local officials under other Taxing and Rating Acts, and is therefore not at variance with past procedure.



## § 2. THE VALUES TO BE ASCERTAINED.

The basis of valuation is to be on the assumption that all property is "fee simple in possession, not subject to any lease." Thus the values to be ascertained do not show the value of any person's interest in the property, such as leasehold interest or reversionary interest, but the full value of or the combined interests in the property; fee simple being the most absolute interest which a subject can possess.

The values to be ascertained are four in number and, in the case of agricultural land, five in number.

They are known as (1) Gross Value; (2) Total Value; (3) Full Site Value; (4) Assessable Site Value; (5) Value for Agricultural Purposes.

*Gross Value* is defined as "The amount which the fee simple of the land if sold at the time in the open market by a willing seller in its then condition, free from incumbrances, and from any burden, charge, or restriction (other than rates or taxes) might be expected to realise."

"The expression incumbrance includes a mortgage in fee or for a less estate and a trust for securing money, and a lien and a charge of a portion, annuity, or any capital or annual sum, but does not include a fixed charge as defined by this Act."

Therefore in fixing Gross Value the valuer is to pre-suppose that the property is subject to the common liabilities such as repairs, fire insurance local rates and Imperial taxes, but not to the tithes, adverse rights of way or of light, adverse rights of common, mortgages, terminable annuities (e. g. charged on lands in favour of the owner's family by will or to repay money borrowed for improvements) and such like.

*Total Value* is defined as "The Gross Value after deducting the amount by which the Gross Value would be diminished if the land were sold subject to any fixed charges and to any public rights of way or any public rights of user, and to any right of common and to any easements affecting the land, and to any covenant or agreement restricting the use of the land entered into or made before the thirtieth day of April nineteen hundred and nine, and to any covenant or agreement restricting the use of the land entered into or made on or after that date, if, in the opinion of the Commissioners, the restraint imposed by the covenant or agreement so entered into or made on or after that date was when imposed desirable in the interests of the public, or in view of the character and surroundings of the neighbourhood."

"The expression 'fixed charge' means any rent charge as defined by this Act, and any burden or charge (other than rates or taxes) arising by operation of law or imposed by any Act of Parliament, or imposed in pursuance of the exercise of any powers or the performance of any duties under any such Act, otherwise than by a person interested in the land or in consideration of any advance to any person interested in the land."

"The expression rentcharge means tithe or tithe rentcharge, or other periodical payment or rendering in lieu of or in the nature of tithe, or any

ee farm rent, rent seck, quit rent, chief rent, rent of assize, or any other perpetual rent or annuity granted out of land."

Total Value is consequently the actual market value of property on the terms and the conditions under which property is usually offered by sale at public auction, and from that very reason it may often be expedient to first arrive at Total Value and to add thereto, in order to reach Gross Value, the amount in excess of normal market value which the property would realise if sold under the terms of definition of Gross Value.

*Full Site Value* means "The amount which remains after deducting from the Gross Value of the land the difference (if any) between that value and the value which the fee simple of the land, if sold at the time in the open market by a willing seller, might be expected to realise if the land were divested of any buildings and of any other structures (including fixed or attached machinery) on, in or under the surface, which are appurtenant to or used in connection with any such buildings, and of all growing timber, fruit trees, fruit bushes, and other things growing thereon."

It is not easy to grasp this definition without some study. Full Site Value however is exactly akin to Gross Value except that the buildings and other recited subject matters are assumed to be non-existent. It is most important to remember that Full Site Value is a fresh conception of Value, arrived at *quite independently* of Gross Value or of any other value. It would be incorrect to fix Gross Value and thereupon reach Full Site Value by deducting the value of the buildings and other subjects deemed to be divested. For example, assume a residential house erected many years ago at a cost of £2,000 but owing to the approach of small shops or working class dwellings or other depreciatory causes it has become obsolescent and very difficult to let or sell. The Gross Value may well be only £500. But to ascertain Full Site Value the valuer now assumes the site is bare building land and he would at once know that, for the purposes of sites for shops or working class dwellings, it would readily sell at £450.

The difference between Gross Value £500 and Full Site Value £450 is thus £50, and can only be termed the "difference" and not the value of any subject matters.

So long as the obsolescent house exists the site is damaged; remove the house and the site may then well be of a value approaching or even equal to the value of the existing composite property, house and site.

*The Assessable Site Value* means the total value after deducting —

"The same amount as is to be deducted for the purpose of arriving at full site value from gross value" (i. e., buildings, etc); and

"Any part of the total value which is proved to the Commissioners to be directly attributable to works executed, or expenditure of a capital nature (including any expenses of advertisement) incurred *bona fide* by or on behalf of or solely in the interests of any person interested in the land for the purpose of improving the value of the land as building land, or for the purpose of any business, trade, or industry other than agriculture; and

"Any part of the total value which is proved to the Commissioners to be directly attributable to the appropriation of any land or to the gift

of any land by any person interested in the land for the purpose of streets, roads, paths, squares, gardens, or other open spaces for the use of the public; and

"Any part of the total value which is proved to the Commissioners to be directly attributable to the expenditure of money on the redemption of any land tax, or any fixed charge, or on the enfranchisement of copyhold land or customary freeholds, or on effecting the release of any covenant or agreement restricting the use of land which may be taken into account in ascertaining the total value of the land, or to goodwill or any other matter which is personal to the owner, occupier, or other person interested for the time being in the land; and

"Any sums which, in the opinion of the Commissioners, it would be necessary to expend in order to divest the land of buildings, timber, trees, or other things of which it is to be taken to be divested for the purpose of arriving at the Full Site Value from the Gross Value of the land and of which it would be necessary to divest the land for the purpose of realising the Full Site Value.

"Where any works executed or expenditure incurred for the purpose of improving the value of the land for agriculture have actually improved the value of the land as building land, or for the purpose of any business, trade, or industry other than agriculture, the works or expenditure shall, for the purpose of this provision, be treated as having been executed or incurred also for the latter purposes."

The Assessable Site Value is akin to Total Value except that the buildings and other subjects for divestment are assumed to have disappeared; in other words the Assessable Site Value is the actual market value of a hypothetical bare site, but *thereafter* deductions are made for the value that the owner or his predecessors in title have contributed to the property to improve it for any purpose other than agriculture.

Form 7 (see Appendix II) is sent to owners who desire to claim the deductions.

*The Value for Agricultural Purposes* is not defined but may be taken to be the market value of the property as if sold under the restriction that it must only be used for agricultural or forestry purposes.

Before proceeding further it might be advisable to summarise these meanings of the values as succinctly (and therefore not quite accurately) as possible.

Gross Value: Fee simple in possession; property freed from all charges and adverse rights except rates, taxes and repairs; an ideal hypothetical condition.

Full Site Value: As above but land is now bare.

Total Value: Actual market value of a fee simple in possession, after regarding *perpetual* charges and adverse rights.

Assessable Site Value: As above but land is now bare, and then deductions are made for value contributed by owners past and present.

Special attention must be drawn to the basis of valuation, "the amount which the fee simple of the land if sold at the time in the open market by a willing seller in its then condition might be expected to realise".

"Expected to realise" introduces the science of valuation.

The hypothetical "willing seller" must be willing to take open market-competition price. He is not to be made willing to sell by tempting him with an extravagant price; nor can he hold out for a "pretium affectionis" on the ground that he is not desirous of selling; nor can he "blackmail" a purchaser who, he knows, has a special necessity for the property.

The value is not necessarily the amount an owner can get in fact and in practice by using all the "levers" at his command or by holding up the monopoly of land against an individual, but the amount which he would get on the hypotheses laid down. Everyone who has the money and will to buy is assumed to be put into rivalry with each other and these intending buyers are assumed to know that the seller is willing to sell in a market so formed, and at a price obtained in such a market. The seller may in fact happen to be placed in a position much more advantageous than the one just described, but if so he must be assumed to descend from that position and submit himself to the open market.

"In its then condition" are words that do not prevent the potentialities of the property from being included in the value, but the cost of converting the property from "its then condition" to the ameliorated condition must be regarded.

Having concluded the attempt to explain the general provisions of the Finance Act as regards the Original Valuation it will be convenient to deal with those provisions affecting "copyhold" lands, and to the special consideration shown to agricultural lands and woodlands.

### § 3. COPYHOLD LANDS.

Copyhold lands are lands which the copyholder-owner holds by Copy of Court Roll from the lord of the manor in contradistinction to fee simple or freehold lands where the owners are absolute owners of the complete interest in the land.

When a copyholder wishes to sell his land he must first surrender it to the lord of the manor and pay fines and fees, whereupon the lord enters the purchasing copyholder on the rolls of the manor in place of the selling copyholder. In some manors these fines are very heavy and in others nominal varying according to the custom of the manor. Fines and fees are also sometimes payable to the lord upon the death of the successive copyholders.

The Act provides that Gross Value and Full Site Value of copyhold lands shall be on a basis similar to the general basis, namely as fee simple or freehold lands, but Total Value and Site Value are to be ascertained as if the land were freehold land, subject to a deduction of such an amount as is proved to be equal to the amount which it would cost to enfranchise the land.

Under the Copyholds Acts any copyholder can insist upon enfranchising his copyhold land and converting it into freehold by paying a sum to the lord of the manor. The sum is computed by capitalising the lord's

monetary rights to fines and fees and adding the value of the lord's minerals, if any, beneath the surface.

In many manors the copyholders prefer to remain as such because an enfranchisement would not be economic when compared with the continuance of payment of fines and fees on death or alienation (such as sales). But the Finance Act compels a deduction from estimated freehold value of the estimated cost of enfranchisement in order to ascertain Total Value and Assessable Site Value, thereby arriving in many cases at a Total Value lower than the price at which copyhold lands in fact realise on sale. It would, therefore, appear to have been better if the Legislature had enacted that Total Value should be the actual copyhold value.

#### § 4. AGRICULTURAL LAND.

The special consideration shown to agricultural land and land under forest will be more apparent when the incidence of land values duties is later dealt with, but so far as the provisions of the Original Valuation of the Kingdom are concerned, some remarks are necessary.

If reference is made to the definition of Assessable Site Value it will be noticed that deductions from Total Value for the purpose of arriving at Assessable Site Value are only allowed:

(1) for works executed or capital expenditure incurred for the purpose of improving the value of the land as building land or for any trade or industry *other than agriculture*, and

(2) For any works or capital expenditure incurred for the *purpose* of agriculture but which have resulted in improving the value of the land as building land or for any trade or industry other than agriculture.

This provision might appear to penalise rather than favour agricultural land, but so long as land has no higher value than its market value for agricultural purposes no Increment Value Duty is chargeable, nor is Undeveloped Land Duty chargeable except on the excess of Assessable Site Value over Agricultural Value (including site, buildings, trees, etc.), nor is Reversion Duty leviable on land when it is agricultural land. These duties are hereafter explained.

Hence inasmuch as the Finance Act so exempted agricultural lands and was framed for the collection of duties, it confined the deductions to non-agricultural improvements; any inclusion of improvement deduction would have been superfluous and by enlarging the scope of the deduction would have retarded the work and increased the cost of the valuation.

Further any such inclusion would have caused a distinct hardship to owners of agricultural lands when such lands became building land. If the Assessable Site Value of some agricultural land be £1000, and agricultural improvements such as land drainage and a farm road were deducted the Assessable Site Value might then be £600. In course of years the land ceases to be in the category of agricultural land and becomes valuable as building land and is sold for £5000. If the £5000 be compared with the

original Assessable Site Value of £600 instead of £1000 an extra taxable increment value of £400 is revealed to the detriment of the owner, and the £5000 cannot be subjected to deductions of £400 for the land drains and farm road inasmuch as these have become entirely obsolete, of no service, and contribute no value to the £5000 paid for the building land.

Therefore the exclusion of agricultural improvements which for the greater part tend to become obsolete when agricultural land becomes valuable for building land, was an equitable provision in an Act framed for the taxation of increment.

But should the legislature at any time desire to use the Original Valuation as a basis upon which to levy annual rates and taxes for local and Imperial purposes in lieu of the existing basis, it is clear that for *such* purpose deductions for agricultural improvements must be made to arrive at site values of agricultural lands in order to place such lands on an equivalent footing with lands which are not agricultural.

In August 1913, a Bill was brought into the House of Commons by the Chancellor of the Exchequer with such intent, but was withdrawn owing to lack of time for proper discussion and is likely to be introduced again next session though possibly in a different form.

#### § 5. OBJECTION TO VALUATIONS

Notification of the values to the owners of lands, and their rights of objection and appeal against such values should next be explained.

The valuers, having arrived at the values send a copy of their "Provisional Valuation" to owners and certain other persons interested in the land. This is known as Form 36 and will be found in Appendix III. It also will Form 35 which accompanies 36 in order to explain to owners the steps they should take.

Within 60 days of the receipt of the Provisional Valuation the person receiving, if dissatisfied with it, must state in writing (there is no special form prescribed) the grounds of his objection and the amendment he desires to Total Value or Site Value. This objection is generally sent to the District Valuer. The Commissioners may in their discretion extend the 60 days in any special case and frequently do so when good cause is shown such as ignorance, illiteracy, serious illness or absence abroad.

If the owner does not object, then the Provisional Valuation becomes the Original Valuation and is entered in the Valuation Book of the Parish. If the owner does object the District Valuer reconsiders his figures and either adheres to his previous valuation or serves an Amended Provisional Valuation, adjusting Gross Value, Full Site Value and Value for Agricultural Purposes so as to bear proper relation to the amendments made to Total Value or Assessable Site Value pursuant to the objection lodged against those two values.

The owner eventually either becomes satisfied with the Provisional Valuation which then becomes the Original Valuation for recording in the

Valuation Book, or he appeals to a referee by giving notice of appeal to the Commissioners of Inland Revenue and to a "Reference Committee." The panel of referees numbers about 15 for England and Wales, 9 for Scotland and 3 for Ireland. They are appointed by a Reference Committee consisting of the Lord Chief Justice, the Master of the Rolls, and the President of the Surveyors' Institution as regards England and Wales, and of the persons holding equivalent positions as regards Scotland and Ireland. The referees are, therefore, practically appointed by the King's Judges and not by any Government Department.

The referees are skilled surveyors or valuers of high standing in their profession carrying on general practice as surveyors, who invariably inspect the property concerned and hear evidence locally; the Reference Committee selects a referee from the panel to hear each appeal. The referees are paid out of moneys provided by Parliament, and neither the appellant nor the Commissioners of Inland Revenue are at any cost as regards the referees' fees; the referee can at his discretion award as to whether either party to an appeal should pay the expenses of the other party.

The number of notices of appeals that have been lodged up to 31st. March, 1913 have been 0.1 % of the number of units of occupation the Provisional Valuations for which have been served upon the owners, or one in every thousand. The greater portion of the appeals are settled without recourse to an actual hearing by a referee.

Apportionments of any unit of Original Valuation are made when only part of a unit becomes liable to any land values duty if it is necessary to make such an apportionment for the purpose of collecting the duty. The owners concerned may object and appeal against the apportionment in the same way as against a Provisional Valuation. The apportionments must not of course aggregate to a figure differing from the Original Valuation figure.

The Commissioners record on plans the boundaries of the unit of each Provisional Valuation and of any subsequent apportionment. The plans used are those made by the Ordnance Survey Department.

Statutory companies such as railway, canal, dock, water, gas or other companies who carry on such public undertakings under any Special Act of Parliament, are exempted from making returns to the Commissioners as to their property except as to the cost of the acquisition of the land by the company and such cost is adopted in lieu of the original Site Value. Consequently such properties are not being valued.

#### § 6. HOW THE VALUATION IS PROGRESSING.

The progress that has been made in the immense task of making the Original Valuation of the United Kingdom will doubtless be of interest.

The Act passed on 29th. April, 1910, whereupon the Commissioners had to organise an administrative scheme and engage a staff of valuers and

clerks. This necessarily occupied some time and then the staff had to be familiarised with the provisions of the Act as regards valuation.

Further it must be remembered that in addition to making the Original Valuation, the Valuers are engaged upon :

(a) The valuation of all real property for death duties. Up to 31st. March, 1913, the value certified (exclusive of Ireland) amounted to over 206 millions, and the Valuation Office increased the values returned to the Estate Duty Office by the parties accounting for the property of the deceased persons, by 6.52 % or £12,728,819. In Ireland the corresponding percentage was 13.03 % and the increase £449,068. The extra Death Duties on these figures should be remembered as an asset when considering the cost of the Valuation Department.

(b) The valuation of property for stamp duty upon voluntary dispositions of real property. The values certified up to 31st. March, 1913, in Great Britain was £9,766,188.

(c) The re-valuation of land upon the occasions of sale, lease for over 14 years, and death, in connection with Increment Value Duty. Up to 31st. March, 1913, these re-valuations amounted to £233,449,872 in Great Britain.

(d) Enquiries into the liability or otherwise of land to Undeveloped Land Duty ; a laborious task.

(e) Special valuation for Reversion Duty.

(f) Valuations for deciding the annual values in connection with excise or licence duties upon houses licensed for the sale of alcoholic liquors.

Inasmuch as the work of the Original Valuation is proceeding *pari passu* with the levying of the duties, the progress of the Original Valuation is naturally impeded.

It was contemplated that the Original Valuation would occupy 5 years, and be completed on 31st. March, 1915. The Table below relates to the progress of the Original Valuation and it will be seen that by 31st. March 1913, nearly 4 ½ millions (out of a total of approximately 10 millions) of hereditaments had been valued, as regards England, Scotland and Wales. As regards Ireland 48,047 Provisional Valuation had been notified to owners by such date.



TABLE I. — *Progress of the Original Valuation.*

	Total number of Provisional Valuations made and notified to the owner and other persons entitled to notice.	Total number of hereditaments included in Provisional Valuations.	Approximate area of land included in Provisional Valuations.	Aggregate "Total Value" of land included in Provisional Valuations.
			Acres	£
On or before 31st. March, 1912:				
Great Britain . .	1,799,468	2,218,317	3,637,955	614,605,705
In year ended 31st. March, 1913:				
England and Wales	1,633,292	1,987,769	8,550,992	872,850,191
Scotland . . . .	71,496	276,193	2,232,733	73,830,535
Great Britain . . .	1,704,788	2,263,962	10,783,725	946,680,726
Total to 31st. March, 1913:				
Great Britain . .	3,504,256	4,482,279	14,421,680	1,561,286,431

## § 7. THE LAND VALUE DUTIES IMPOSED BY THE ACT.

This article being restricted to Systems of Valuation, the Duties imposed by the Finance Act can only be shortly explained.

The duties are : (a) Increment Value Duty; (b) Undeveloped Land Duty (c) Reversion duty.

(a) *Increment Value Duty.*

Increment Value Duty is at the rate of £1 for every complete £5 of increment value accruing after 30th. April, 1909, and is collected so far as it has not been previously paid on each occasion of :

- (a) The transfer on sale of the fee simple or any interest in land ;
- (b) The grant of a lease of land for a term exceeding 14 years ;
- (c) The passing on death of the fee simple or any interest in land.

The increment value is the amount by which the Site Value on each such an occasion exceeds the Assessable Site Value in the Original Value.

tion (which fixes the datum line). But the duty paid on a previous occasion is credited on each successive occasion. Thus duty is not collected more than once on the same increment value; the land itself becomes franked or credited with the duty paid on each successive occasion.

An allowance of 10 % of the Assessable Site Value in the Original Valuation is deducted from the increment value, before charging duty, upon the happening of the first occasion, and thereafter the 10 % is successively based upon the Site Value fixed upon the last preceding occasion upon which duty was collected.

Until, therefore, sites have appreciated 10 % no increment value duty will be forthcoming as regards genuine rises in Site Values, and the further 10 % allowances granted on subsequent occasions will go far to defeat collection of duty subsequently. There is a proviso, however, limiting the 10 % allowances so as not to exceed 25 % in any period of 5 years.

The next step is to understand how the Site Value is calculated on the happening of an "occasion."

It must be emphasised that whereas the Original Valuation is a distinct valuation, yet the Site Value on a sale or lease occasion is a *calculation* based on the price or consideration paid on the sale or the rent reserved in the lease. The Original Assessable Site Value is deduced from a Total Value of lands assumed to be fee simple in possession (except as to copyholds as previously explained); consequently the Site Value on the occasion must be deducted from a Fee Simple Value or price comparative in its nature with Original Total Value. Therefore the Act provides that sale prices or rents reserved for leases, whether paid for the whole fee simple or any lesser interest in land, are to be converted into terms of fee simple, but in the process of conversion the prices paid or rents reserved must be sedulously preserved as the basis or foundation on which to calculate when converting.

This Fee Simple Value is frequently called "the Fee Simple Value based on the consideration paid."

From this latter Value the Occasion Site Value is deduced in exactly the same way in which Original Assessable Site Value is deduced from Original Total Value, but no deduction may be made on any "occasion" if the deduction is one which could have been but was not claimed in ascertaining the Original Assessable Site Value from Total Value.

The Original Assessable Site Value and the Occasion Site Value being then contrasted the increment value, if any, is revealed, and this increment value is in terms of fee simple. If the actual occasion under review is in fact in respect of an interest less than the fee simple, then only such part of the increment value duty is collectible as is proportionate to the lesser interest.

As regards occasions on death, the real market value on which Estate (Death) Duty is payable becomes the Occasion Total Value, but again, of course, after conversion into terms of fee simple if a lesser interest passes on death.

An occasion valuation is might be as follows:

A lease for 99 years is granted at a rent of £90, a very exorbitant figure;

The Fee Simple Value on *such* a basis might be . . . . . £1,800

*Deductions :*

(a) Difference between <i>Real*</i> Gross Value . . . . .	£1,600	
and <i>Real*</i> Full Site Value . . . . .	£400	£1,200
		<hr/>
(b) Value attributable to road-making . . . . .	£20	£600
(c) " " redeeming tithe . . . . .	£10	£30
		<hr/>
Site Value on Occasion . . . . .		£570

The Original Valuation as on 30th. April, 1909 was :

Total Value . . . . .		£1,500
(a) Difference between Gross Value . . . . .	£1,600	
And Full Site Value . . . . .	£400	£1,200
		<hr/>
(b) Road-making . . . . .	£20	£300
(c) Redemption of Tithe . . . . .	£10	£30
		<hr/>
Original Assessable Site Value . . . . .		£270

The Increment Duty payable, assuming the occasion to be the first to occur would be :

Occasion Site Value . . . . .		£570
Original Site Value. . . . .	£270	
Add the 10 % . . . . .	£27	£297
		<hr/>
Increment . . . . .		£273

Duty £1 for every complete £5 = £54.

Now it will be noted that in this case the Occasion Site Value (£570) exceeds the Original Site Value (£270) by £300, and that increment is revealed *although the Site Value has not in fact as a matter of real valuation risen in value*, but inasmuch as the deduction from the Total Value on the Occasion is, on the proper construction of the Act as confirmed by the High Court and Court of Appeal (the case has not yet reached the House of Lords), limited to the £1,200 (being the difference between the two genuine Gross and Full Site Values, as opposed to price paid, *freshly ascertained* as on the day of the grant of lease) the "fancy" or excess price of £300 becomes absorbed

(\* Actual Values at the time of grant of lease).

into Occasion Site Value. Where, however, a property other than bare land sells for a price consistent with its real value *at the time* of its sale, no matter how much in excess of the Original Total Value, no increment is revealed unless the site has genuinely risen in value.

It is contended by many that the Legislature did not intend to throw that part of the price paid in excess of real value (except in the case of occasions connected with bare land) on to the Occasion Site Value, and it is possible that an amending bill may be introduced; but the Act has of necessity and of right been administered on its legal construction.

A concession is made to owners in cases of sale occasions whereby the Site Value on an occasion, instead of being contrasted with the Original Assessable Site Value for the purpose of Increment Value Duty is compared with a "Substituted Site Value." This Substituted Site Value is based on the consideration paid at any previous sale or on the amount of any advance on mortgage that may have taken place either within 20 years of 29th. April, 1910, or within the life time of any owner who is such on the date of the claim to have such Substituted Site Value recorded. The applicant must prove the facts by producing the deeds connected with such prior transaction. The Substituted Site Value is derived from the consideration paid (or the amount advanced on mortgage) in exactly the same manner as Occasion Site Value upon any sale occasion that gives rise to Increment Value Duty.

The intention of this concession is to prevent Increment Value Duty being payable when a sale is effected at a price less than that obtained within 20 years or within the owner's life time; Increment Value Duty is thus largely defeated.

Inasmuch as properties held by bodies such as municipalities and limited liability companies do not "pass on death" provision is made for a periodical valuation of the sites of such properties in the year 1914 and every subsequent fifteenth year; any increase in site values then revealed is taxable for Increment Value Duty.

The exemptions from Increment Value Duty, mainly directed to the relief of agriculture, are:—

"Agricultural land, while it has no higher value than for agricultural purposes only: small residences occupied by the owner, or holder of lease of 50 years, where annual value does not exceed £40 in London, £26 in towns of 50,000 population, and £16 elsewhere; small agricultural holdings, where land and dwelling do not exceed £30 annual value, occupied and cultivated by the owner, and not exceeding 50 acres (of average value not exceeding £75 an acre); flats (sale, lease, etc., of separate dwelling); land held by rating authorities, statutory companies, charitable bodies, as regard periodical increment value duty (each 15th year)."

#### (b) *Undeveloped Land Duty.*

The rate of Undeveloped Land Duty is one halfpenny annually for every pound of the Assessable Site Value in the Original Valuation; but the Site Values are to be revised in 1914 and thereafter quinquennially.

It is payable by the owner at the time of each yearly assessment; where land is let on lease for a term of which more than 50 years are unexpired the lessee is liable instead of the owner.

The land liable to duty is any land which has not been developed by the erection of dwelling houses, buildings, or "trade" glass houses, or is not otherwise used for the purpose of any business, trade or industry.

The exemptions from undeveloped land duty, principally in order to favour agricultural land, are:

"Land the site value of which does not exceed £50 an acre; agricultural land, except on such part of the site value as exceeds its agricultural value; parks and spaces open to the public as of right, or to which the public are allowed reasonable access; recreation grounds, used as such under agreements for not less than 5 years; land not exceeding 1 acre occupied with a dwelling house; garden (with a dwelling-house) up to 5 acres, when site value of the whole does not exceed 20 times its annual value; agricultural land held under an existing agreement, not chargeable until agreement terminates; agricultural land occupied and cultivated by the owner, if all land owned by him does not exceed £500 in value; allowance is made where increment value duty has been paid in respect of undeveloped land; land held by rating authorities such as corporations and municipalities; land held by statutory public companies, such as railway, canal, gas, water and dock companies; land in respect of which expenditure had been incurred in road-making to the extent of not less than £100 for each acre of land improved by such roads."

The exemption of agriculture is very complete; suppose a small farm has a value as building land for development into a building estate, then the excess of such value over agricultural value is alone liable to the duty. The value for agricultural purposes *includes* the farm house, buildings, timber, trees, and hedges as well as the land itself, and this aggregated value is set against the Assessable Site Value (which is the building value) of an assumed bare or divested site.

Woodlands are treated as agricultural lands and the agricultural value, which includes the timber or trees, is similarly contrasted with the Original Site Value of the woodlands which have a value for building purposes. Thus the excess of Site Value over the Agricultural Value is alone taxed for Undeveloped Land Duty.

Where lands around a town are let in allotments or garden plots, but possess a higher value as building land, the excess value is taxable, but many of such allotments are exempted because they are occupied with a house in the locality as a garden.

#### (c) *Reversion Duty*

This is payable by the lessor on the determination of a lease granted for a term exceeding 21 years. The rate of duty is £1 for every £10 of the value of the benefit accruing to the lessor. The benefit is measured by deducting the Total Value of the property at the date of the grant of the lease from the Total Value at the end of the lease, but an allowance is

hereafter made for the value of any improvements made by the *lessor* during the term of the lease and also for any compensation paid by *lessor* to *lessee* at the determination. The Total Value at the grant is *calculated* on the basis of the rent reserved and payments made in consideration for the grant of the lease. The Total Value at the determination is the actual value at such time.

The principal exemptions are:

Reversions to leases purchased before 30th. April, 1909, where the lease on which the reversion is expectant, determines within 40 years of the date of purchase; total exemption.

Land which is agricultural land at the determination of the lease; total exemption.

Allowance is made where Increment Value Duty has been paid for the same benefit or increment.

Land held by statutory companies and rating authorities; total exemption.

Where the *lessor's* and *lessees* interests become merged, an allowance is made.

When such a merger takes place at a time when more than 50 years of the lease are unexpired, and the value of the property does not exceed £500; total exemption.

#### § 8. THE FURTHER PURPOSES FOR WHICH THE VALUATION MIGHT BE USED IF PARLIAMENT SO DESIRED.

It was stated in the first article that no uniform or equal valuation existed throughout the United Kingdom, that a Royal Commission has reported that such a valuation was desirable, and that a Departmental Committee is now sitting to consider such question among others. When the Valuation now proceeding is completed — and completion is anticipated on 31st. March, 1915 — it will have been made on a basis which applies uniformly throughout the whole Kingdom, and there will be a record of the various values and deductions in a form, which, by any necessary adaptations or adjustments, could be made into a basis on which all local rates and Imperial taxes could be levied.

The values recorded are capital and not annual values, but should annual values be desired, they can be ascertained from the capital values or the valuer's records. It, would, however, be necessary, as previously explained, to arrive at a Site Value of agricultural land reduced by deduction in respect of purely agricultural improvements before levying rates and taxes other than Increment Value Duty.

The form of Records of Values is shown in Appendix IV. It is known as the "Valuation Book."

It is a burning question of the day whether rates and taxes (other than the new land value duties) should continue to be levied as at present on annual values, or be imposed on capital values. It is not desired in this ar-

ticle to treat with political questions, and for that reason it will be sufficient to point out that the fundamental difference between (1) a rate upon annual value levied upon occupiers and (2) a rate upon capital value levied upon owners is that the former depends upon the actual use which happens to be made of land, and the latter upon the use to which it might be reasonably expected to be put. This is the root of the comparison. Further, if "ability to pay" should be the basis, then capital value represents intrinsic worth, whereas annual value frequently does not.

Valuable building land worth £1000 may be let as pasture land at an annual rent of £10; if the land were sold and the £1000 invested at 4 %, the income would be £40. Under the existing system of local annual rates and taxes, the £10 is alone subjected to them, and the wealth represented by the available annual sum of £30 escapes. The imposition of the Undeveloped Land Duty under the Finance Act, 1910, does fall upon what otherwise previously escaped, but it is a question whether the ordinary rates and taxes should not also so fall.

If wealth or intrinsic realisable value should be the basis of contribution to national and local expenditure in respect of land, capital value gives such a basis.

From the records in the Valuation Book can be ascertained either the capital value of an entire property in land or of its site.

#### § 9. THE VALUATION AND TAXATION OF MINERALS.

The Finance Act, 1910, directs that minerals are to be valued as "a separate parcel of land." and throughout the scheme of the Act, both as regards valuation and duties, they are kept distinct from the surface land.

The Act charges an annual duty termed Mineral Rights Duty at the rate of one shilling in the pound (5 %) on the rental value of all rights to work minerals (and of wayleaves), whether worked by the proprietor or leased.

From this duty common minerals such as clay, brick clay, sand, chalk or gravel are exempted.

The duty is payable by the proprietor or lessor.

As regards minerals that were *not being worked or under lease on 30th April, 1909*, the mineral owners are given an option of declaring the nature and value of such minerals, and if the option has been exercised, the Valuation Office value such minerals and record their "Original Capital Value."

When unworked or unleased minerals are sold or pass on death the price paid or value at the death, as the case may be, is contrasted with the Original Capital Value, and one fifth of any increment in Value accruing (less an allowance of 10 % of the Original Capital Value) is payable as Capital Increment Value Duty by the vendor or executors.

Whenever a subsequent sale or death occurs when the minerals are *neither in work nor in lease*, a comparison of their sale price in case of sale, or value in case of death, is made with the Original Capital Value and if

an increase in value is revealed one fifth of such increment is payable as duty, but credit is given for all previous payments of duty and an abatement is made by an allowance or deduction of 10 % of the Capital Value on the last previous occasion upon which Capital Increment Value Duty was collected.

When a proprietor commences to work his minerals, or grants a lease for the working of them this scheme for the collection of Capital Increment Value Duty is superseded by Annual Increment Value Duty and the "capital" scheme is not resumed so long as the minerals are productive. If the working is carried to exhaustion no further Capital Increment Value Duty can ever be collected, but if the workings of the lease terminate before the complete exhaustion of the minerals, the provisions for collection of Capital Increment Value Duty revive and in place of the Original Capital Value a new Capital Value is brought into use, namely, the Capital Value of the *residue* of the minerals; their value is to be specially ascertained two years after the cesser of the workings.

Where unworked minerals come into bearing because the proprietor grants a lease or commences to work, the "Annual Increment Value Duty" is charged at the rate of 20% of the calculated annual increment measured as follows:—

If the minerals are leased the annual rent or royalty received, or if they are worked by the proprietor, the fair estimated rent, is contrasted yearly with the "annual equivalent" of the Original Capital Value or, with the annual equivalent of the capital Value upon which Capital Increment Value Duty was collected in respect of any previous sale or death.

The Annual Increment Value Duty therefore rises or falls from year to year according to the fluctuations of the annual mineral rents or royalties.

Any Annual Increment Value Duty payable in any year defeats and relieves from Minerals Rights Duty up to the amount paid in respect of the former.

The common minerals which are exempt from Mineral Rights Duty are also exempt from Annual Increment Value Duty.

If a mineral owner does not exercise his option and fails to return a value for his minerals which were unworked and not on lease on 30th. April, 1909, such minerals are recorded as having no value; and as a consequence, upon the first happening of any sale, death, grant of a lease or commencement to work, the sale price, value at death, royalty received or fair rental is contrasted respectively with "nil," to the detriment of the proprietor, as no Original Capital Value has been established; the intention being that any fresh discoveries of minerals made after 30th. April, 1909, should be *wholly* subject to Increment Duty.

\* \*

In conclusion the writer desires to express the hope that, if he has not been successful in explaining the Finance Act of 1910 with sufficient lucidity and clearness to enable its main feature to be grasped, some consideration and forbearance may be shown in view of the complexity and technicality of the subject.



APPENDIX I. — Form of Return for Duties on Land Values.

DUTIES ON LAND VALUES

FINANCE (1909-10) ACT, 1910

REFERENCE: to be quoted  
in all communication

RETURN TO BE MADE BY AN OWNER OF LAND OR BY ANY PERSON  
RECEIVING RENT IN RESPECT OF LAND.  
(Penalty for failure to make a due Return, not exceeding £50).

Particulars extracted from the Rate books.		This space is not for the use of the person making the Return.	
Particulars extracted from the Rate books.	Parish . . . . .	Acres	Roods
	Number of Poor Rate		
	Name of Occupier . .		
	Description of Property		
	Situation of Property.		
	Estimated extent. . .		
	Gross Estimated Rental (or Gross Value in Valuation List <sup>(*)</sup> ).	£	
	Rateable Value . . .	£	

(\*) Applicable to the Metropolis only.

IMPORTANT. — As the Land is to be valued as on 30th April, 1909, the particulars should be furnished, so far as possible, with reference to the circumstances existing on that date.

I. Particulars required by the Commissioners, which must be furnished so far as it is in the power of the person making the Return to give them.

(a) Parish or Parishes in which the Land is situated.	
(b) Name of Occupier.	
(c) Christian Name and Surname and full postal address of the person making the Return.	
(d) Nature of Interest of the person making the Return in the Land:—	
(1) Whether Freehold, Copyhold, or Leasehold.	1
(2) If Copyhold, name of the Manor.	2
(3) If Leasehold, (i) term of lease and date of commencement (including, where the lease contains a covenant for renewal, the period for which the lease may be renewed), and (ii.) name and address of lessor or his successor in title.	3 (i.)  3 (ii.)
(e) Name, and precise situation of the Land.	

<p>(f) Description of the Land, with particulars of the buildings and other structures (if any) thereon, and the purposes for which the property is used.</p> <p>(House, Stable, Shop, Farm, etc.)</p>				
<p>(g) Extent of the Land, if known.</p>	Acres	Roods	Perches	Yards
<p>(h) If the Land is let by the person making the Return, state:—</p> <p>(i.) Whether let under Lease or Agreement, or</p> <p>(ii.) If there is no Lease or written Agreement, whether let by the Year, Quarter, Month, or Week.</p> <p>(iii.) If let under Lease or Agreement—</p> <p>(a) Term for which granted.</p> <p>(b) Date of commencement of term.</p> <p>(c) Whether granted for any consideration in money, paid or to be paid by the Tenant, in addition to the Rent reserved,* or</p> <p>(d) Upon any condition as to the Tenant laying out money in Building, Rebuilding, or Improvements.*</p> <p>(iv.) Amount of Yearly Rent receivable.</p> <p>(* If so, give full particulars.)</p>	(i.)	(ii.)	(iii.) (a)	(b)
	(c)		(d)	
	(iv.) £			
<p>(h) Amount of Land Tax (if any) and by whom borne.</p>	£	borne by		
<p>(i) Amount of Tithe Rentcharge, or of any payment in lieu of Tithes, for the year 1909, and by whom borne.</p>	£	borne by		
<p>(m) Amount of Drainage, or Improvement Rate, or of any similar charge, and by whom borne.</p>	£	borne by		
<p>(n) Whether all usual Tenants' Rates and Taxes are borne by the Occupier, and, if not, by whom.</p>				
<p>(o) By whom is the cost of Repairs, Insurance, and other expenses necessary to maintain the Property, borne?</p>				

(d) Whether the Land is subject to any:	
(i.) Fixed Charges (exclusive of Title Rentcharge entered in space [f]), and, if so, the Annual Amount thereof.	Annual Amount £
(ii.) Public Rights of Way . . .	
(iii.) Public Rights of User . . .	
(iv.) Right of Common . . . .	
(v.) Easements affecting the Land.	Date when made
(vi.) Covenant or Agreement restricting the use of the Land, and, if so, the date when such Covenant or Agreement was entered into or made.	
(Full particulars should be given in each case.)	
(g) Particulars of the last sale (if any) of the Land within 20 years before 30 April, 1909, and of Expenditure since the date thereof:—	
(i.) Date of Sale.	(i.)
(ii.) Amount of Purchase-money and other consideration (if any).	(ii.)
(iii.) Capital Expenditure upon the Land since date of Sale.	(iii.)
(r) Observations, with description, extent, and precise situation of any part of the Land which the Owner requires to be separately valued.	
(s) If the person making the Return desires that communication should be sent to an Agent or Solicitor on his behalf, the name and full postal address of such Agent or Solicitor.	
* (t) (i.) Does the person making the Return own the minerals comprised in the Land?	(i.)
(ii.) If so, state:	(ii.) (a)
(a) Whether the minerals were, on 30 April, 1909, comprised in a mining lease or being worked by the proprietor.	
(b) Whether the minerals are now comprised in a mining lease or being worked by the proprietor.	(b)
(iii.) If not, state the name and address of the proprietor of the minerals.	(iii.)
(*Minerals not comprised in a mining lease or being worked, are to be treated as having no value as minerals, unless the proprietor of the minerals fills up space (w) below.)	

I hereby declare that the foregoing particulars are in every respect fully and truly stated  
to the best of my judgment and belief.

Dated this

day of

191

\_\_\_\_\_  
Signature of person  
making the Return.

\_\_\_\_\_  
Rank, Title, or  
Description.

## II. Additional particulars which may be given, if desired.

(u) Value of the Land as defined  
in Instruction 7, and estimated by  
the Owner, with particulars how ar-  
rived at:—

- |                                               |          |
|-----------------------------------------------|----------|
| (i.) Gross Value.                             | (i.) £   |
| (ii.) Full Site Value.                        | (ii.) £  |
| (iii.) Total Value.                           | (iii.) £ |
| (iv.) Assessable Site Value.                  | (iv.) £  |
| (v.) Particulars how Values ar-<br>rived at.* | (v.)     |

(\* May be given on a separate sheet of  
paper, if desired.)

(v) If the Owner does not desire to  
urnish his estimate of the Value of  
the Land, but intends to claim a  
Site-value deduction under Instruc-  
tion 7 (iv.), (a), (b), (c), or (d), or under  
Instruction 9 (1), (a), the intention  
should be stated. A form will then  
be sent i due course for particulars  
of the claim to be given.

(w) Nature, and estimate of the Cap-  
ital Value of any minerals not com-  
prised in a mining lease and not being  
worked, which have a value as min-  
erals.

Nature

Capital Value £

Signature

FORM 4.

Date

APPENDIX II. — *Form of Claim for Site Value Deductions.*

## DUTIES ON LAND VALUES.

FINANCE (1909-10) ACT, 1910

Reference  
to be quoted in all  
communications.

## CLAIM FOR SITE VALUE DEDUCTIONS

Particulars to be furnished by an Owner of Land, or person receiving Rent in respect of Land, who desires to claim deductions in arriving at the Assessable Site Value of the Land.

**IMPORTANT.**— *As the Land is to be valued as on 30th April, 1909, the particulars should be furnished as far as possible with reference to the circumstances existing on that date.*

When completed, the claim should be delivered or sent in the accompanying franked envelope to the District Valuer at \_\_\_\_\_

1. Name, description, and precise situation of the Land . . . . .								
2. Extent of the Land, if known . . .					Acres	Roods	Perches	Yards
3. If the particulars given under heads (1) and (2) are not sufficient to identify the Land, (a) Annex a plan of the Land, or, (b) Quote the number or numbers of the Land on the 25 inch Ordnance Survey Map, or, (c) If it is desired to identify the Land on an official plan, the desire should be indicated here								
4. Particulars and amounts of any deductions not specified below which are claimed for the purpose of arriving at the Assessable Site Value.					Particulars		Amounts	

5. Portion of the Total Value directly attributable to—

(a) Works Executed:—

Date when Executed	By whom executed and nature of his interest in the Land	Particulars of Works	Amount Expended on Works	Value directly attributable thereto
			£	£

(b) Expenditure of a capital nature (including Expenses of Advertisement):—

Date of Expenditure	By whom executed and nature of his interest in the Land	Particulars of Expenditure	Amount Expended	Value directly attributable thereto
			£	£

6. Portion of the Total Value directly attributable to the Appropriation of any Land or to the Gift of any Land for Streets, Roads, Paths, Squares, Gardens, or other Open Spaces for the use of the public:—

Date	Name of person making the Appropriation or Gift and nature of his interest	Particulars of Appropriation or Gift	Value directly attributable thereto
			£

7. Portion of the Total Value directly attributable to—

(a) Expenditure on Redemption of Land Tax:—

Date of Redemption	Number of Redemption of Contract	Amount of Land Tax redeemed	Amount of Redemption Money	Value directly attributable thereto
		£ s. d.	£	£

(b) Expenditure on Redemption of any Fixed Charge:—

Date of redemption	Particulars of Charge redeemed	Amount of Redemption Money	Value directly attributable thereto
		£	£

## (c) Expenditure on Enfranchisement of Copyhold Land or Customary Freeholds:—

Date of Enfranchisement	Cost of Enfranchisement		Value directly attributable thereto
	Particulars	Amount	
		£	£

## (d) Expenditure on effecting the Release of any Covenant or Agreement restricting the use of the Land which may be taken into account in ascertaining the Total Value of the Land:—

Date when Covenant or Agreement entered into	Date of Release of Covenant or Agreement	Particulars of Covenant or Agreement	Amount of Expenditure	Value directly attributable thereto
			£	£

## (e) Goodwill, or any other matter which is personal to the Owner, Occupier, or other person interested for the time being in the Land:—

Particulars	Value directly attributable thereto
	£

8. Sums which it would be necessary to expend in order to divest the Land of Building Timber, Trees, or other things of which it is to be taken to be divested for the purpose of arriving at the Full Site Value from the Gross Value of the Land, and of which it would be necessary to divest the Land for the purpose of realising the Full Site Value:—

Particulars	Amount
	£

## 9. If the Land is Copyhold or Customary Freehold Land:—

(a) Name of the Manor . . . . .

(b) Date of birth of Copyhold Tenant. . . . .

(c) Date of last Admittance. . . . .

## (d) Customs of Manor, viz.:—

Incidents of Tenure	Particulars	When payable	Amount		
			£	s.	d.
Fines . . . . .					
Heriots . . . . .					
Quit Rents . . . .					

Other Incidents of Tenure, with particulars and amounts of any money payments:—

## (e) Estimated cost of Enfranchisement:—

Particulars of items	Estimated Cost
	£
Total Estimated Cost of Enfranchisement . . .	

10. *Undeveloped Land Duty.*— Additional particulars of Expenditure (if any) incurred the Owner of any Land included in any scheme of land development, or by his predecessors in title, with a view to the development of the Land or to its use for any business, trade, or industry other than agriculture, on Roads (including paving, curbing, tilling, and other works in connection with Roads) or Sewers.

Precise Situation of and included in Scheme of Development*	Area of Land included in Scheme of Land Development				Date of Expenditure	Nature and Particulars of Expenditure	Amount of Expenditure
	Acres	R.	P.	Y.			

I hereby declare that the foregoing particulars are in every respect fully and truly set to the best of my judgment and belief.

\_\_\_\_\_  
Signature of person making the Return.

\_\_\_\_\_  
Rank, Title, or Description

\_\_\_\_\_  
Address.



**APPENDIX III. A. Form of Provisional Valuation.**  
**FINANCE (1909-10) ACT, 1910.**

**DUTIES ON LAND VALUES**

**PROVISIONAL VALUATION.**

The name of the parish and number of the hereditament should be quoted in all communications.

Description of Property				
Situation	County	Parish	No of hereditament	
Name of Occupier				
Extent	Acres	Roods	Perches	Yards

The Commissioners of Inland Revenue have caused to be made the following Provisional Valuation of the land described above:—

ORIGINAL GROSS VALUE . . . £					
DEDUCTIONS FROM GROSS VALUE					
(a) To arrive at Full Site Value		(b) To arrive at Total Value			
Difference between Gross Value and Value of the Fee Simple of the Land divested of Buildings, Trees, &c.	£	Fixed Charges	£	Public Rights of Way or User	£
		Fee Farm Rent, Rent Seck, Quit Rent, Chief Rent, or Rent of Assize		Right of Common	
		Other perpetual Rent or Annuity		Easements	
		Tithe or Tithe Rent Charge		Restrictions under Covenant or Agreement	
		Burden or charge arising by operation of law, or imposed by Act of Parliament		Total Deductions	
		If Copyhold, Cost of Enfranchisement			
ORIGINAL FULL SITE VALUE, £		ORIGINAL TOTAL VALUE . . . £			
DEDUCTIONS FROM TOTAL VALUE TO ARRIVE AT ASSESSABLE SITE VALUE					
Deductions from Gross Value to arrive at Full Site Value (as above)		£	Enfranchisement of Copyholds		£
Works executed			Release of Restrictive Covenants		
Capital Expenditure			Goodwill or personal elements		
Appropriation of Land for streets, roads, open spaces, &c.			Cost of clearing Site		
Redemption of Land Tax or Fixed Charge			Total Deductions		
ORIGINAL ASSESSABLE SITE VALUE . . . £					
Value of Agricultural Land for Agricultural purposes where different from Assessable Site Value . . . £					

Given under my hand this \_\_\_\_\_ day of \_\_\_\_\_ 191

(Signed) \_\_\_\_\_ { Valuer appointed by the  
 Commissioners of Inland Revenue

FORM 36.

\_\_\_\_\_ District.

*B. Notice of Provisional Valuation.*

FINANCE (1909-10) ACT, 1910

*DUTIES ON LAND VALUES*Reference: to be quoted  
in all communications.To \_\_\_\_\_  
of \_\_\_\_\_

Date \_\_\_\_\_

, 191

SIR,

By direction of the Commissioners of Inland Revenue I herewith send you a copy of their provisional valuation of the land mentioned therein, which has been made under the provisions of the Finance (1909-10), Act, 1910.

If the land or any interest in the land has been sold or mortgaged at any time within twenty years before April 30th, 1909, and the Site Value at the date of the sale or mortgage estimated by reference to the amount of the consideration or the amount secured by the Mortgage exceeded the Original Site Value on April 30th, 1909, the Site Value so estimated may be substituted for the Original Site Value for the purpose of Increment Value Duty. If you desire to avail yourself of this provision, full particulars of the sale or mortgage should be furnished without delay\*.

If you consider that the Total or Site Value, as stated in the provisional valuation, is not correct, you may, with a view to an amendment of the provisional valuation, within sixty days of the date on which the copy of the provisional valuation is served, give to the undersigned notice of objection, stating the grounds of your objection and the amendment you desire. If the provisional valuation is amended so as to be satisfactory to all persons making objections, the Total and Site Value as stated in the amended valuation will be adopted as the Original Total and the Original Site Value for the purposes of Part I. of the Act.

The Act provides that if the provisional valuation is not amended by the Commissioners so as to be satisfactory to any objector, that objector may give notice of appeal under the Act with respect to the valuation.

Section 33 enacts as follows:—

"An appeal shall not lie against a provisional valuation made by the Commissioners of the total or site value of any land except on the part of a person who has made an objection to the provisional valuation in accordance with this Act."

By Order of the Commissioners of Inland Revenue,

*District Valuer.*

Address \_\_\_\_\_

\* Section 2 of the Revenue Act, 1911, extends this provision to a sale of land or any interest in land which took place twenty years or more before April 30th, 1909 and which was a sale to the person who is the owner of the land or any interest in the land at the time when the application for a substituted Site Value is made.



*uation Book.*

[illegible]

(continued)

[illegible]

## 2. — THE FAIR RENT PROVISIONS OF THE IRISH LAND ACTS.

By A. P. MAGILL, of the Estates Commission, Dublin.

## INTRODUCTION.

"As long as a numerous population is cursed with a morbid craving to possess land, so long will the owner of land be able to drive hard bargains in spite of Queen, Lords and Commons." This sentence of Lord Dufferin ("Tenure of Land in Ireland," 1867) states in a few words the Irish Land Question as it existed in the middle of the last century.

Until the close of the 18th. century Ireland was a pastoral country, for which its soil and climate made it eminently suitable. Even in Elizabethan times we find Spenser complaining that "all men fell to pasturage and none to husbandry." A considerable change took place, however, towards the end of the 18th. century, due to several causes. In 1783 and 1784 bounties were granted by the Irish Parliament on the exportation of grain, while in 1806 all restrictions on the trade in corn between England and Ireland were swept away. The great rise in the price of corn in Great Britain caused by the Napoleonic Wars, and the growth of the industrial population of England, which led to an increased demand for food stuffs largely increased the profits to be derived from tillage. The result was a great increase in the amount of land under tillage. The change from pasture to tillage was accompanied by a great extension of the system of subdividing and subletting farms, and the fact that except in the North East there were no manufactures in Ireland, and no market for labour except on the land, strengthened the tendency to subdivision. The possession of a plot of land was an absolute necessity to an Irish peasant without it the only alternative to starvation was emigration, and it is not to be wondered at that the ordinary farmer, realising this, strove to meet the situation by dividing his farm amongst his family. The Report of the Devco Commission (1844) gives abundant evidence of this tendency of the Irish farmer to provide for his family by giving each of his sons, and often his sons-in-law, a plot of land, with the natural result that in a generation or two the holdings became so small that it was utterly impossible to support a family out of the produce. It was this that drove the people to rely solely on the potato, with the appalling result of the Famine years. Even

where the tenants held under lease with clauses against subletting, it was found impossible by the landlords to enforce these clauses as no jury would give a verdict in favour of the clauses. A Map attached to the Report of the Devon Commission gives a striking example of this tendency to subdivision. In one generation a holding of 205 acres in possession of two tenants was sublet until it was occupied by 29 tenants whose scattered holdings comprised 422 lots.

It must also be remembered that the introduction of the 40s. franchise and its extension to Roman Catholics acted as a strong inducement to a landlord to allow subletting and the creation of a class of small holders who added considerably to his political importance.

The result of the change was that the population, which was a little over 4 millions in 1792, had risen in 1841 to over 8 millions, and the intense competition for land which naturally resulted from the population being practically doubled in half a century placed the tenants at the landlord's mercy. Leases were the exception and, strange to say, there is evidence that many tenants preferred to hold on a yearly tenancy than to take a lease. "Many witnesses stated that the occupiers have no wish for leases at the present rents... and many... assert that frequently, where proprietors are ready to grant, the occupiers do not manifest any wish to receive them." (1)

On the other hand landlords were reluctant to grant leases for a rather curious reason, as stated in the same Report (2). "The fear of this subdivision and its ruinous consequences appear, from the testimony of many, to be the principal causes preventing the grant of leases, as the power of the landlord to resist them, though always insufficient, is considered to be much diminished where the tenant holds by lease, no matter how stringent the covenants against subdivision may be, it being stated that the difficulty of enforcing the covenants in leases is in general very great."

To complete the dependent position of the Irish tenants, statutes were passed simplifying the procedure for evicting tenants so as "to get rid of every formality by which the old Common Law delayed and obstructed the forfeiture of the tenant's estate." (3) Finally in 1860 by Deasy's Act it was laid down that "the relation of landlord and tenant shall be deemed to be founded on the express or implied contract of the parties and not upon tenure or service." This Act further simplified the procedure for eviction of a tenant for non-payment of rent, and on notice to quit, and enabled the landlord to practically confiscate the tenants' improvements. As a matter of fact, as is generally admitted, nearly all the improvements of land in Ireland have been made by the tenants.

During the period from the Famine to the passing of the Act of 1860 other charge took place in Irish land tenure. The increase in the cost

(1) Digest, Devon Commission Report, p. 235.

(2) Digest, Devon Commission Report, p. 419.

(3) "Short Sketch of the Irish Land Acts," by The Rt. Honble. W. F. Bailey, B., Estates Commissioner.

of labour owing to the great fall in the population after the Famine, and the introduction of Free Trade, made small farming less profitable than before, and landlords started to clear their estates and consolidate the holdings. This was accentuated by the Incumbered Estates Act of 1849, which gave increased facilities for the sale of such estates, and introduced a new class of Landlords whose only object was to get the best return possible for their money without any regard for the feelings or customs of the tenants, to whom they were frequently entire strangers. The number of holdings from 1 to 5 acres fell from 310,436 in 1841 to 85,469 in 1861, while those above 30 acres increased from 48,625 to 157,833 in the same period.

A series of bad harvests which preceded and followed the Act of 1860 added to the misery of the Irish tenants, and they took the redress of their grievances into their own hands. Agrarian outrages with all their demoralising influence on the people took place every day. Various efforts were made to reform the Irish Land Code, but they were unsuccessful until Mr. Gladstone introduced the Act of 1870, which began a new era in Irish land legislation.

#### § 1. THE IRISH LAND ACT OF 1870.

The Act of 1870 legalised the Ulster custom, i.e., the right of the tenant to sell his interest in his holding — in other words to sell his goodwill; it gave the tenant "compensation for the loss sustained by him by reason of quitting his holding," when this was caused by the act of the landlord; and it also gave him compensation for improvements, and enacted that "all improvements... shall until the contrary is proved be deemed to have been made by the tenant or his predecessors," except, *inter alia*, where such improvements were made 20 years or upwards before the passing of the Act. I may add that it also authorised the Board of Works to advance to a tenant for the purchase of his holding a sum not exceeding two-thirds of the purchase money to be repaid in 35 years by an Annuity of 5 %.

The Act of 1849 facilitating the sale and transfer of incumbered estates, the Act of 1860 altering the relation of landlord and tenant from tenure to contract, and the Act of 1870 were the three attempts of the Liberal Party to deal with the Irish land question since the disastrous days of the Famine. Of these the latter Act is by far the most important. It inaugurated a new era and meant the breakdown of the old tradition of the "laissez faire" school. For the first time it was recognised that the great Whig doctrine of the sacredness of contract was wholly inapplicable to Ireland, where there was no such thing as free contract between landlord and tenant (1). But itself the Act was not a success. The principal reason for this, according to the Report of the Bessborough Commission, which was appointed

(1) "Freedom of contract in the case of the majority of Irish tenants large and small does not really exist." (Report of Bessborough Commission, 1881).

in 1880 to inquire into the working of the Act, was that it failed to afford tenants adequate security, particularly in protecting them against occasional and unreasonable increases of rent, and the Commissioners state that in some cases in Ulster the process of raising rent had "almost eaten up the tenant right."

## § 2. THE LAND LAW (IRELAND) ACT, 1881.

Irish history is full of strange contradictions, and the next great step in Irish land legislation is an example of this. In 1870 Mr. Gladstone was a strong opponent of the three F's — Fair rent, Fixity of tenure, and Free sale — which the Irish tenants claimed so persistently. "Perpetuity of tenure," he said, "is a phrase that I flatter myself is a little going out of fashion and if I have contributed anything towards disparaging it I am not sorry... I have not heard, I do not know, and I cannot conceive what is to be said for the prospective power to reduce excessive rents." (1)

Again in March, 1880, Mr Gladstone said "there was an absence of crime and outrage in Ireland and a general sense of comfort and satisfaction, such as had been unknown in the previous history of the country." A few months afterwards the country was plunged into the horrors of what practically amounted to an agrarian war. And the next year saw the passing of the Act of 1881, which was to carry out the very ideas denounced by Mr. Gladstone a few years previously. The fact is the necessities of the case were too much for him, and with commendable courage he recognised that the exceptional conditions which prevailed in Ireland required exceptional remedies, and could not be dealt with as if Ireland were merely an English county.

The Act of 1881 was largely based on the recommendations of the Bessborough Commission and gave the tenants the three F's for which they had fought so bitterly. It appointed a tribunal to fix the Fair Rent of each holding, the rent to be revised every fifteen years; it gave the tenant fixity of tenure subject to such fair rent; and it gave him the right of free sale, subject to the landlord's right of pre-emption.

There was no insuperable difficulty in giving the tenant fixity of tenure and the right of free sale. It was principally a question of Parliamentary draughtsmanship, once Parliament had determined to grant these privileges to Irish tenants. But fixity of tenure and free sale without fair rents would have gone but a short way towards settling the Irish problem. The failure of the Act of 1870, which failed because it did not check the landlord's power of raising rents, showed this clearly. The fixing of fair rents, however, presented many difficulties and it is round it that most of the controversy, both at the time of the passing of the Act and subsequently, has raged.

(1) Hansard's Parliamentary Debates, Vol. CXCLX, pp. 1843-5.



## § 3. THE MEANING OF " FAIR RENT " : ITS RELATION TO PRICES.

In the first place the term " fair rent " has never been satisfactorily defined. Up to the passing of the Act of 1881 there were practically three rents in Ireland: (1) the competition rent which the land would fetch in the open market, which, owing to the land hunger in Ireland, was generally an impossible rent for the tenant to pay; (2) the rent which the land could pay if the tenant possessed both capital and a high degree of agricultural skill so as to work the land to the best advantage; and (3) the rent which the average tenant was really able to pay. Competition rent is out of the question. To adopt (2) as the standard of fair rent seems at first sight equitable, but, having regard to the fact that all the improvements on the land were the work of the tenants, and also to the backward state of agriculture in many parts of Ireland, and the want of capital and facilities for transport, its adoption would have pressed upon the tenants with undue severity.

Some of the witnesses before the Devon Commission suggested that rents should fluctuate with the price of corn or be periodically revised according to the changes in the price of produce, an idea which appears to have been taken from the Scotch system of corn rents. From the evidence of Mr. Pierce Mahony and Mr. Robertson it would appear that in many cases in Scotland the tenant was bound to pay as rent the money value of a specified number of bolls or quarters of corn, the rate at which the corn was to be converted into money being in some cases fixed by lease. In other cases the rate of conversion was fixed by what were called the *fiars* prices of the county. These were really the average prices at which corn was sold in the district, and were ascertained yearly by certain competent persons chosen by the Sheriff of the county. This system may have worked in Scotland, where there has been a high standard of agriculture for a considerable time, where the improvements on the land belong to the landlord, and where the amount which any farm would produce on the average could be fairly well calculated, but the difficulties of applying it to Ireland would be very great. Moreover, although prices, now that statistics on the subject are regularly collected and published by a Government Department, are a most important factor in the valuation of land, any scheme of making rent fluctuate *automatically* with prices neglects two important factors in the question. In the first place a rise in prices may be the result of a bad harvest and may not mean any increased gain to the farmer, and secondly a rise in the cost of labour may sweep away all the advantage of a rise in prices.

One attempt was made before the Act of 1881 to fix the value of land according to the price of agricultural produce. The Valuation Acts contained scales of prices which were to serve as a basis for valuation. Very full and detailed instructions were issued to the valuers by Sir R. Griffiths, who carried out the valuation of Ireland, and he directed them to "value the land on a liberal scale, that is to say, in the same manner as if employed

by one of the principal landlords of the country, who was about to let the land to solvent tenants on leases say of 21 years." In spite of this the valuation was anything but uniform in Ireland, and in many counties was reckoned to be 25% below the fair rent. The Bessborough Report states: "If anything has been clearly established on evidence during this enquiry, the fact that the present Government Valuation is not a trustworthy standard for the settlement of rents has been most thoroughly demonstrated." Of course in a valuation for rating purposes it would not have mattered so much whether land was overvalued or undervalued, provided the one uniform standard was adopted all round, but as a matter of fact the Commissioner of Valuation in 1869 admitted that from 12½ to 25 % should be added to the valuation of the Counties in Leinster, Munster and Connaught to bring them up to the level of the valuation in Ulster.

Mr. Gladstone in 1870 delivered a strong attack on the proposal to fix rents according to prices. "Can any man," he asks, "fix by law any system on which it will be possible to adjust rents by calculations founded upon prices of agricultural produce of all kinds" and he goes on to put his finger on the weak spot in all such proposals:—

"What are we to say with regard to the quantity of produce? Suppose the quantity of produce is doubled, is the landlord to receive the same price for the increased quantity or is he not? If he is to receive the same price for the increased quantity, where is the tenant's inducement to increase the quantity? But if the quantity is to remain the same, by what right do you cut off the whole of the landlord's interest in the prospective increase in the quantity of produce?"

It must be understood, of course, that what is here attacked is not the proposal to take agricultural prices into account in fixing the value of land, but the proposal to fix that value by such prices *alone*, without taking any of the other factors in the question into account. Every valuer, when he has ascertained the produce of the land, proceeds to enquire what are the average prices at which that produce has sold in the district, and calculates the value of the produce accordingly, and it is that value, when allowance has been made for cost of production, and the ordinary profits of farming upon the amount of capital or labour invested in the cultivation of the farm, which forms the basis of the valuer's estimate of the fair rent of the holding.

A digression may be made here to say that a rather remarkable attempt was made to proportion rents to agricultural prices in 1887, 1888, and 1889. There was a considerable fall in the agricultural prices in 1886 and an Act was accordingly passed in 1887 providing for the alteration of the fair rents fixed before 1886 in accordance with the change in prices, this alteration to be made during each of the three years above-mentioned. The Land Commissioners in carrying this out took the Poor Law Union as the unit of their investigations, and appointed scrutineers to ascertain the prices of the staple products in each district, and took from the statistics compiled by the Registrar-General the area occupied in each Union by the several products, and ascertained quantities and values accordingly. The Commissioners state "the want of trustworthy local statistics of prices of

ficially taken and preserved is a matter to be regretted" but apparently, the prices must vary greatly in the different districts as the Return ordered by the House of Lords in 1901 (194 of 1901) shows that the reductions in 1887 on rents fixed in 1881 varied from 8 ½ % in Roscrea and Parsonstown Unions to 22 % in Clifden and Westport Unions. If such variations as this can take place in different districts it will be seen how impossible it would be to devise any scheme of fixing fair rents generally in Ireland in accordance with the average prices obtaining over the whole country, even if there were no other objections to this method of fixing rents.

#### § 4. OTHER FACTORS WHICH HELP TO DETERMINE FAIR RENT.

If we abandon any scheme for fixing fair rents automatically by prices alone, we must endeavour to ascertain what are the factors which determine the rent payable out of any given lands. The Bessborough Commission tried to lay down certain principles on the subject. They state "the computation (of fair rent) should in general start with an estimate first of the gross annual produce, and secondly of the full commercial rent according to the rules observed by the best professional valuers," and then a reduction should be made for the tenant's improvements. This does not get us much further, but the Commissioners made two suggestions of considerable practical value: first that the presumption that the improvements were made by the tenants should not extend to improvements more than 35 years old. Section 4 of the Act of 1870 limited the tenants's right to compensation for improvements to those made within the 20 years preceding the claim for compensation (except as regards permanent buildings and reclamation of waste-land) and as the tenant's right under the Act of 1881 to be exempted from rent in respect of improvements was held to be correlative to his right to compensation under the Act of 1870, we may say that the Act of 1881 to some extent carried out this suggestion of the Bessborough Commission. The second suggestion was that a rent paid at any time within the previous 20 years, and which continued for not less than 10 years to be regularly paid, should be taken as a starting point when the rent was in the opinion of both parties considered fair. This suggestion does not appear to have ever been explicitly adopted, although the fact that a rent has been regularly paid for a number of years must carry considerable weight with the valuer.

If we turn to the Act of 1881 itself to see what it lays down on the subject of fixing fair rents we find it gets over the difficulty by ignoring it. Section 8 (1) is as follows: - "The tenant of any present tenancy to which this Act applies... may... apply to the Court to fix the fair rent... and thereupon the Court, after hearing the parties, and having regard to the interests of the landlord and tenant respectively, and considering all the circumstances of the case, holding, and district, may determine what is such fair rent." There is nothing here to help the valuer, and neither in this nor in any other

of the Land Acts is there even a definition of the term "fair rent." The fair rent clauses of the Act of 1881 apply only to "present tenancies," *i.e.*, tenancies existing at the passing of the Act, and were extended to leaseholds in certain cases by the Acts of 1887 and 1891.

#### § 5. HOW FAIR RENTS ARE FIXED UNDER THE ACT OF 1881.

Before we examine what principles, if any, of fixing fair rents have been laid down in practice, let us consider the machinery established by the Act for fixing fair rents.

The Land Commission constituted by the Act consisted of a Judicial Commissioner and two other Commissioners who were authorised to delegate their powers (except as regards appeals) to Sub-Commissions formed by Assistant Commissioners appointed by the Lord Lieutenant. The Sub-commissions consisted of two or more lay Assistant Commissioners, who were persons with a practical knowledge of land, and a legal Assistant Commissioner, who acted as Chairman. The system of hearing cases was described by Commissioner Bailey, who was Chairman of a Sub-Commission before his appointment as an Estates Commissioner, as follows:

"The system is that the Chairman sits with his lay colleagues in court to hear the cases. When a case is called the tenant gives evidence respecting the various improvements which he or his predecessors have made, and evidence of value generally, examining his witnesses. Then the landlord examines his witnesses, and if he claims any of the improvements he gives evidence accordingly. It was my duty then to decide on the legal effect of that evidence, and how the improvements were to be distributed in the fixing of the rent, and then my lay colleagues proceeded with the business of inspection. I moved on to another district, and the lay commission visited each holding with their note books containing their notes of the evidence and my rulings. They then drew up what is known as the pink schedule setting forth the particulars of the valuation. They met me again when I came back to that district and submitted these schedules to me, and I would go over and examine them to see that the evidence was followed, and that the improvements and other matters were properly dealt with. After a consultation — sometimes on value — we would fix what we considered a fair rent."

Fair rent cases can also be brought in the Civil Bill Court before the County Court Judge, who has a valuer who visits the farm and furnishes the Judge with a report thereon to assist him in coming to a decision on the case. An appeal lies to the Land Commission itself from both the Sub-Commissions and from the County Court Judges.

There were three other courses open to persons seeking to have fair rents fixed besides proceeding in the Court of the Land Commission or in the Civil Bill Court.

1. The landlord and tenant might come to an agreement for a fair rent outside the Court, which rent, when the agreement was filed in Court, would become the judicial rent.

2. The landlord and tenant might have a rent fixed by the award of valuers named by the Land Commission, which rent would be subsequently inserted in a formal agreement and filed as the judicial rent, or

3. They might refer the amount of rent to be paid to the decision of an Arbitration Court consisting of two arbitrators and an umpire in the manner provided for in the Act of 1870 for the purposes of that Act.

There have been only 40 fair rents fixed by arbitration since the Act of 1881, and only 2,242 by the award of valuers, so these two methods of fixing fair rents are really negligible. Over 160,000 first fair rents have been fixed by agreement, but of course these agreements throw no light on the question of the principles involved in fixing fair rents where the parties cannot come to terms. Of those latter cases the vast majority have been fixed by the Land Commission. The following table shows the number of fair rents fixed for a first term from the passing of the Act of 1881 to the 31st. March, 1913 by the various methods mentioned above:

Land Commission . . . . .	198,211 (1)
Civil Bill Court . . . . .	21,597 (1)
Agreement . . . . .	160,268
Arbitrators . . . . .	40

#### § 6. THE ABSENCE OF GENERAL PRINCIPLES OF VALUATION.

The procedure of the Land Commission, which is perhaps the greatest rent fixing body in existence, is therefore of paramount importance in any discussion on the subject of fixing fair rents compulsorily. But the first thing we find when we examine their procedure is that they have never laid down any instructions or any general principles for the guidance of their Sub-Commissioners. Their action or inaction was deliberate, for in the Appendix to their Second Annual Report, replying to an attack made upon them by a Committee of the House of Lords, the Commissioners state they "gave no instructions on this subject to the Assistant Commissioners and to this moment they are absolutely at a loss to conceive what instructions they could legally have given beyond reading to them the terms of the Act of Parliament."

It would have been a very difficult task for the Commissioners to have drawn up instructions for their Assistant Commissioners, especially in view of the fact that the Act itself gave them no assistance on the subject. Moreover Sir R. Griffiths had issued elaborate instructions to his valuers when carrying out the valuation of Ireland, and had utterly failed to secure

(1) These figures include 2,242 fair rents fixed on valuers' reports.

even uniformity of valuation; but the fact that there were no such instructions to the Assistant Commissioners engaged in fixing fair rents, and that no general principles were laid down for their guidance, certainly exposed the Land Commission to the bitter attack of the Committee to which I have referred, in whose Report the following passage occurs:

"The combined operation of the functions of the Sub-Commissioners and Commissioners appears to be such that, whereas it was supposed that a tribunal was created for the purpose of dealing judicially with exceptional cases of excessive rent, there has been set in motion a process of valuation of rent for the whole of Ireland and of compulsory letting at that valuation, in which the work of valuation is done by two Sub-Commissioners without any professional or technical qualification; without any principle, standard, or rule, for their guidance; with no obligation to explain the grounds of their decisions, and with an appeal that is little better than illusory."

This indictment is so sweeping that it defeats itself, but the absence of any principle of valuation has made each valuer a law unto himself, and landlords and tenants have never been able to ascertain clearly on what principles fair rents have been fixed, with the result that both parties have felt aggrieved.

In his evidence before the Congestion Commission (Q. 16383) Commissioner Bailey states:

"I have always thought that if the Act of 1881 had been operated in a more satisfactory way, one that did not leave such dissatisfaction and complication—every few years you had a new amending Act—it probably would have solved the Irish land question."

The Commissioners did, however, require the Assistant Commissioners to fill up a schedule for each holding, after inspection, showing the acreage of the different classes of pasture and tillage lands on the holding, the amount allowed to tenant and landlord for improvements, the amount added for proximity to markets and railways, or deducted for remote position as the case might be; and also stating whether the holding was used in the manner best suited to its productive power, and whether the soil showed traces of improvement or deterioration. This schedule was amplified on several occasions until it was incorporated in the Act of 1896. Section 1, Subsection 1, of that Act (1) lays down that the Court in fixing a fair rent is to ascertain and record certain particulars in the form of a schedule, a copy of which on application is to be sent to each party. This schedule (a copy of which will be found at page 128) is generally known as the Pink Schedule from the colour of the form on which it is printed, and since its introduction, if the principles of valuation are still undetermined, the parties have at least full information as to the particulars on which the fair rent is based. Chief Baron Palles' comment on this Section is as follows:

"The intention of the Legislature was that the Court should, before it determines and as incidental to determining the amount of the fair rent, ascertain the various particulars mentioned in Clauses (a) to (f) of the Sub-

(1) See page 128 for copy of this subsection.

section; and that the fair rent of the holding should be ascertained having regard to such particulars, which are essential ingredients in and the basis of the ascertainment of the fair rent."

There are several ways in which the absence of any general principle of valuation has had far-reaching results in Ireland. In the first place the Fair Rent Acts only apply to agricultural holdings. But there are a great number of miserably small holdings, particularly in the West of Ireland, which are not agricultural holdings in the true sense at all. The tenants of these holdings do not depend upon them solely for their means of support, but earn a large part of their livelihood by pursuits other than agriculture. Some are migratory labourers, others are fishermen, and their small holdings are really only sites for dwellings. Yet these patches of wretched land are valued for fair rents as if they formed part of an economic holding, and when Commissioner Bailey was asked whether this system of valuation was prescribed by a rule of the Land Commission, he explained that there were no rules for the guidance of valuers, but that this system was a common practice amongst all valuers. Whether it would have been wise to interpret the Fair Rent Acts strictly, and to have excluded these miserable holdings from the benefits of the Acts, is a point which need not be discussed here, but a question of such vital importance as this is not one to be left to the unaided discretion of valuers.

Again the percentage on the cost of improvements to be allowed to either landlord or tenant is not fixed, but varies with the idiosyncracies of the valuers, so that there is no uniformity in dealing with one of the most difficult points in the whole process of fixing fair rents in Ireland.

On the general question of the principle of valuation under the Land Commission one cannot do better than quote Commissioner Bailey's summary of the matter in a Memorandum handed in by him to the Royal Commission on Congestion.

"The Land Commission, which was established in 1881, has never laid down any principles of valuation. It is probably the most important organisation for land valuation in existence, and yet it has added little to the knowledge of the principles of valuation by the judgment of its members by its rules, or its instructions. This is mainly due to the fact that the Land Commissioners have never regarded themselves as bound to consider valuation as a science. They have always looked on their functions as those of judges, whose duties it is to decide cases on the evidence of outside valuers and the reports of their own inspectors. But they give no guidance as to the principles on which these valuations should be made, and the result is that each valuer and inspector is left to develop his own principles. For example, one valuer will allow the maker of improvements five per cent. on the estimated cost of the improvements all round, while another will allow five per cent. on one class of improvements and three per cent. on others according to their estimated durability. Another, again, will allow four per cent. on the cost of houses, while his neighbouring colleague will give only 2 ½ per cent., and so on. All these and similar matters should, in my opinion, have been carefully considered by the Commissioners and princ-

bles laid down that would have secured uniformity and certainty. The heads of the Land Commission have in the past usually repudiated the imputation of knowing anything about valuation or the principles on which it is based, and have refused in their judgements to give any guidance on the subject to their officials or the public. They have taken up the position that it is for the valuers to discover their own principles and that the duty of the Court is to weigh evidence and decide accordingly. The objections to this method are plain to anyone who has an intimate knowledge of valuations as presented in the Irish Land Courts."

#### § 7. REDUCTIONS IN RENT EFFECTED.

If we turn now to see what actual reductions in rent have been effected by the Fair Rent Acts we find the figures are as follows: —

##### *First Term Rents fixed for yearly tenancies.*

How fixed	No.	Former Rent	Judicial Rent	Percentage of Reduction.
by Land Commission. . . . .	169,524	£3,109,742	£2,447,090	21.3
by Civil Bill Courts . . . . .	19,122	£309,707	£236,547	23.6
Agreements filed in Land Commission . . . . .	152,837	£2,467,029	£2,033,089	13.1
Agreements filed in Civil Bill Courts . . . . .	7,431	£126,666	£105,025	17.1

The difference between the reductions in contested cases (those heard by the Land Commission and Civil Bill Courts) and those in which the parties came to an agreement is considerable, but of course the very fact that the parties came to an agreement is *prima facie* proof that the former was not so excessive as to require a large reduction to bring it to the level of a fair rent.

It would be a very difficult, if not impossible, task to trace any exact relation between the prices of agricultural produce, and the amounts at which fair rents have been fixed. The following table shows the prices of the principal agricultural products during periods of five years each, and the reductions which the fair rents fixed during the periods corresponding nearly as possible represent when compared with the rents before they were judicially fixed. The figures as to prices are taken from a Parliamentary Return prepared by the Department of Agriculture for Ireland in the present year (510 of 1913).



TABLE I. — Comparison of Prices and Reductions in Rents.

	Prices of agricultural products										Return of percentage of reduction in fair rents		
	Wheat — s d	Oats — s d	Barley — s d	Flax — s d	Butter — s d	Beef — s d	Mutton — s d	Pork — s d	Period	1st. Term	2nd. Term		
Prices in Schedule to Valuation Act of 1836. . . . .	10 0	6 0	7 0	—	69 0	33 0	34 6	25 6	—	—	—		
Do., Valuation Act of 1832 . . . . .	7 6	4 10	5 6	49 0	65 4	35 6	41 0	32 0	—	—	—		
Average prices during years 1882-6 inclusive . . . . .	7 3	5 8 <sup>1</sup> / <sub>4</sub>	6 9 <sup>1</sup> / <sub>4</sub>	50 6	96 4	60 9	69 8	46 8 <sup>1</sup> / <sub>2</sub>	August 1881 to August 1886	81.2	—		
Do., 1887-1891 . . . . .	6 9	5 8 <sup>1</sup> / <sub>4</sub>	6 7 <sup>1</sup> / <sub>2</sub>	46 6	93 4	54 3	62 3	41 3	August 1886 to August 1891	24.0	—		
Do., 1892-1896 . . . . .	6 1 <sup>1</sup> / <sub>2</sub>	5 9	6 9 <sup>1</sup> / <sub>2</sub>	51 4	93 10	52 10	60 2	43 2 <sup>1</sup> / <sub>2</sub>	August 1891 to March 1897	22.7	—		
Do., 1897-1901 . . . . .	6 6 <sup>3</sup> / <sub>4</sub>	5 4 <sup>1</sup> / <sub>2</sub>	6 10	50 0	93 4	54 3	60 8	42 11 <sup>1</sup> / <sub>4</sub>	March 1897 to March 1902	20.2	21.7		
Do., 1902-1906 . . . . .	6 6 <sup>1</sup> / <sub>2</sub>	5 8 <sup>1</sup> / <sub>4</sub>	7 1 <sup>1</sup> / <sub>2</sub>	53 2	96 2	55 1	65 4	47 5 <sup>1</sup> / <sub>4</sub>	March 1902 to March 1907	16.8	16.5		
Do., 1907-1911 . . . . .	7 7 <sup>1</sup> / <sub>2</sub>	5 11 <sup>1</sup> / <sub>4</sub>	7 2	60 6	103 0	57 7	62 9	52 11	March 1907 to March 1912	21.9	18.5		

On examining this table we can see that the rate of reduction has in some cases followed (inversely, of course) the rise and fall of prices. The fall in the prices of wheat, beef and mutton in the period 1887-91 as compared with the previous five years is marked by an increase in the rate of reduction of first term rents from 18.2 % to 24 %. The variations in prices during the next two quinquennial periods hardly seem by themselves sufficient to justify the drop in the rate of reduction from 24 % to 22.7 % in the first and to 20.2 % in the second of these periods. The next period 1902-6 is marked by an all-round increase in prices, and the rate of reduction in rents falls from 20.2 % to 16.8 %, but then the further rise in all products save mutton during the period 1907-11 did not, as would naturally be expected, bring about a further drop in the rate of reduction. On the contrary the rate of reduction in the case of first term rents springs up by over 5 %. The explanation of this is partly the increase in the cost of labour during that period, and partly that tenants who waited for 26 years before coming into Court to have a fair rent fixed were evidently not suffering from rack rents. Moreover the figures as to fair rents since 1903 are misleading, as a number of fair rents were fixed after the passing of the Purchase Act of 1903, which probably would have never been fixed but for the zonal clauses of that Act, which only apply to judicial rents. Landlords who were anxious to sell their estates, and to take advantage of these clauses, arranged to have fair rents fixed on their tenants' holding, either by agreement or by the Land Commission, and as the sale of the estate was the landlord's real object, he often raised no objection to a reduction of rent which he would have fought against had his intention been to continue receiving rent from the tenants for any length of time.

This table shows how difficult it would be to trace the analogy between prices and rents without knowing all the factors which enter into the problem. But it must not be imagined therefore that prices can be neglected in the process of fixing fair rents. As already stated they are a most important factor in the question. In practice an Assistant Commissioner who values a holding for fair rent purposes makes several distinct investigations. In the first place he examines the actual constituents and character of the soil, and deduces therefrom what the produce might be under the most favourable circumstances. Secondly he estimates what, having regard to the state of cultivation and the capital sunk in the holding, the produce actually is. Thirdly he has to calculate the value of that produce. To do so he must have full information as to the prices which the various products have obtained in that particular district, and he has further to consider to the best of his ability whether those prices are likely to remain constant during the 15 years which must elapse before the next revision of the rent can take place. To make such a forecast with any reasonable prospect of accuracy requires a careful enquiry into the prices which have been obtained for a number of past years, and into the causes of their variations — whether they are merely of a temporary nature, or of such a permanent character as to be likely to affect prices in the future. Fourthly the valuer must take the cost of labour into consideration, and this is perhaps

the factor which makes it most difficult to base any conclusions as to fair rents on agricultural prices only. The farmers of Ireland have profited during the past few years both by good harvests and by a rise in prices, but portion of their increased profits have been swept away by the increase in the cost of labour which has taken place during the same years. Lastly the valuer must consider the question of improvements and of depreciation—how much of the produce is due to the landlord's or tenant's improvements, what return he will allow to the tenant for the capital and labour which he has sunk in the farm, and whether the tenant has wilfully allowed the land to depreciate before the arrival of the period for fixing a rent on the holding.

#### § 8. "FAIR RENTS" AS THE BASIS OF LAND PURCHASE.

The question of the principles involved in fixing fair rents has by this lost some of its importance. In the first place fair rents for a first term have now been fixed on the vast majority of holdings in Ireland. Up to the 31st. March last 455,000 applications to have fair rents fixed had been disposed of. The total number of agricultural holdings in Ireland according to the Census of 1911 was 535,675 and taking into account the fact that the fair rent clauses of the Act of 1881 do not apply to town parks, home farms, demesnes, and pasture lands of over £50 valuation (increased to £100 by the Act of 1896) it may be said that a fair rent has been fixed on practically every holding in Ireland coming within the Act of 1881.

Moreover, it was only natural that landlords who were reduced by the Fair Rent Acts to the position of mere pensioners and rent-chargers on their estates should be anxious to sell their lands outright. They had lost their interest in the land and from their point of view it would be much better to divest themselves of the very limited ownership which remained to them, and to realise the value of their estates in cash or stock which at all events would be their own to dispose of as they wished. The tenants on the other hand were equally anxious to buy out the landlords and to put an end to the disturbance and uncertainty caused by the revision of fair rents every fifteen years. In fact both parties were dissatisfied with the restrictions on the full ownership of their property, and each wished to have that property in a shape which would enable them to do as they liked with their own, to quote a phrase in common use in Ireland. The State by pledging its credit enabled the transaction to be carried out on terms which were to the advantage of both parties, and the result is that the purchase of their holdings by the tenants from the landlords has progressed at such a rate as to diminish by two-thirds the area which can be affected by the Fair Rent Acts in the future. Lands to the value of over £120,000,000 have been sold, or are the subject of proceedings for sale under the Land Purchase Acts, and it is estimated that the balance, in respect of which proceedings for sale under these Acts have not been instituted, amounts to about £60,000,000.

we may therefore say that two-thirds of the agricultural land in Ireland has been or is being purchased by the occupying tenants, and thereby removed from the operation of the Fair Rent Acts. But the tenants of the holdings comprised in the remaining third will certainly make application to have their rents revised for a second or third term as the case may be, and the result of these applications will be of considerable importance in Land Purchase.

Under the Act of 1903 where a judicial tenant, i. e., a tenant on whose holding a fair rent has been fixed, enters into an agreement with his landlord to purchase his holding at a price coming within certain limits, generally known as the Zones, the holding is deemed to be security for the price agreed on, and the Estates Commissioners, unless they reject the whole estate, are practically bound to advance such price. The result is that sales between landlords and tenants are nearly always arranged on the basis of many years purchase of the fair rents. The revised fair rents which may be fixed on the one-third of Ireland which has not yet been purchased by the tenants, will therefore be of the greatest importance in determining whether these lands will be sold under the voluntary provisions of the Land Purchase Acts, or whether compulsion will be necessary. It is to be hoped that compulsion, with the bitterness which it leaves behind, will only be required in exceptional cases and that the transfer by the landlords of their property to the tenants will in the future, as in the past, be effected with but little friction or loss of mutual good-will.

#### CONCLUSION.

Many severe criticisms have, as pointed out, been passed on the administration of the Fair Rent Acts, but in view of the stupendous difficulty of the Land Commissioners' task, they may be given the greatest credit for the success with which they administered those Acts. Ireland was not a new country where one could frame a policy unhampered by ancient traditions. She was an old country, inhabited by the most conservative people on the globe, who clung to old customs, and who had still the feudal instincts of their ancestors; a people imbued with the memories of "old, unhappy, far-off things," and intensely suspicious of any innovations. There had been no revolution in Ireland, as in France, to sweep away at one blow the privileges and the property of the landed classes, but there had been a revolution at the time of the Famine and in the years which succeeded it, which had impoverished both landlords and tenants, and had destroyed to some extent the old feudal attachment between them.

It was in this atmosphere of discontent and suspicion that the Land Commission commenced their labours, and if neither landlords nor tenants were satisfied until the Fair Rent Acts were supplemented by the Land Purchase Acts we may safely say that it was the former which made the latter possible. Land Purchase has been based on fair rents, and the pol-

icy inaugurated by the Act of 1881 has in some 30 years changed the whole face of Ireland. The "magic of property" has once more asserted itself, and the marvellous development of the prosperity of the community, the increased comfort of the tenants generally, and above all the growth in self-respect and independence of the Irish farmer, form a more than adequate defence of those who framed the Irish Land Code since 1881 and of those who administered it.

APPENDIX I. — *Land Law (Ireland) Act, 1896, Section 1, Subsection 1.*

1. (1) Where the Court fix a fair rent (a) for a holding, the Court shall ascertain and record in the form of a schedule, unless both landlord and tenant shall otherwise request —

(a) the annual sum which should be the fair rent of the holding on the assumption that all improvements thereon were made or acquired by the landlord ;

(b) the condition as to cultivation, deterioration, or otherwise of the holding and the buildings thereon ;

(c) the improvements made wholly or partly by the tenant or at his cost, and with respect to each such improvement —

(i) the nature, character, and present capital value thereof, and the increased letting value due thereto ;

(ii) the date (so near as can be ascertained) at which the same was made ; and

(iii) the deduction from the rent made on account thereof ;

(d) the extent (if any) to which the landlord has paid or compensated the tenant in respect of each such improvement ;

(e) the improvements made wholly or partly by or at the cost of, or acquired by, the landlord ;

(f) such other matters in relation to the holding as may have been taken into account in fixing the fair rent thereof, or as may be prescribed ; and

(g) the fair rent of the holding.

and the said schedule shall be in the form set out in the First Schedule to this Act, or in such other form as may be prescribed, and a certified copy of the record shall on the prescribed application be sent by post to each party, and the record shall be admissible in evidence on its mere production from the proper custody.

APPENDIX II. — *The "Pink" Schedule.*

Form No. 39.

SCHEDULE referred to in the order  
of even date herewith fixing a fair rent.Holding in Rural  
District  
of . . . . .

## LAND LAW (IRELAND) ACT, 1896.

*Particulars of Holding ascertained and recorded pursuant to Section I,  
of the above Act, and Section 55  
of the Local Government (Ireland) Act, 1898.*County . . . . . Record No. . . . . Landlord . . . . .  
No. of Ordnance Sheet . . . . . Tenant . . . . .  
Date upon which holding inspected . . . . day of . . . . 191 . .Who attended inspection {  
on behalf of Landlord? }Who attended on behalf {  
of Tenant? }Give a concise description of the holding and the  
buildings thereon, stating particulars of aspect,  
elevation, water supply, situation as to mark-  
ets, railways, and county roads, etc. Also state  
how the holding is used, *i. e.*, as a tillage farm  
or as a mixed farm or as a grazing or dairy farm;  
if mainly a grazing or dairy farm state carrying  
power.Is the holding suitably used? What is the present  
condition of the holding as to cultivation, and  
of the holding and the buildings thereon, as to  
deterioration or otherwise? If there is deterior-  
ation, state how it is shown and has apparently  
been caused, and give like particulars as to any  
improved condition.

## 3. Particulars of Tenement Valuation, Rates, etc.:

A. (1) Tenement Valuation of Agricultural Land in Holding . . . . . £

(2) Tenement Valuation of Non-agricultural Hereditaments in Holding . . . . . £

Total Tenement Valuation . . . . . £

B. Standard Amount under Local Government (Ireland) Act, 1898,  
Section 54, for:

(1) County Cess upon Agricultural Land in Holding . . . . . £

(2) Poor Rate upon Agricultural Land in Holding . . . . . £

(3) County Cess and Poor Rate upon Non-agricultural Hereditaments  
in Holding . . . . . £

Total Standard Amount of Rates on Holding . . . . . £

The Benefit to the tenant from the Agricultural Grant is half the above stated amount  
of the County Cess upon Agricultural Land, and the Benefit to the Landlord from said  
Grant is half the above stated amount of Poor Rate upon Agricultural Land.If the tenancy has been purchased since the pas-  
sing of the Landlord and Tenant (Ireland) Act,  
1870, give the date of each sale and amount  
of purchase money.

Description of the several classes of land, with the quantities of each class set out separately, giving the rate per acre. The several classes of grass and tillage land to be so specified that it may be apparent how much of each description is contained in the holding; each class separately valued to be marked with a letter to correspond with a letter on the map, and the boundaries of such class to be indicated on the map.

\* The rate per acre to be estimated on the basis of the Tenant paying a Total rate equivalent to the standard amount of the County Cess and Poor Rate in respect of the Holding as set out in paragraph 3 less by the amount of benefit to the Landlord from the Agricultural Grant in respect of the Poor Rate.

6. State the improvements on holding made wholly or partly by, or at the cost of, or acquired by, the Landlord,





## RUSSIA.

### GENERAL OUTLINE OF THE NEW RUSSIAN LAND REFORMS

(Continued) (1).

#### § 3. READJUSTMENT OF NADIEL LAND AS SINGLE HOLDINGS.

Our readers know from what we have said in the first part of the article, that when the land commissions began working in accordance with the provisions of the law mentioned in it, in Russia properly so called people were almost ignorant in respect to the measures to be taken on the large scale required for the scientific redistribution of the land in single separate holdings for each peasant family. The position was better, in this respect, in Poland (General Government of Warsaw) and better still in the Baltic Provinces, where the peasants, for well known historical and ethical reasons (North German influence), already for the most part possessed holdings well rounded off (2).

The newly instituted land commissions then, at the beginning of the reforms, found they had virgin soil to work on, but the fact that in certain localities undertakings of this kind were already understood among the population had, undoubtedly, a certain moral importance, especially as it was bound to contribute to extinguish the peasants' distrust of the innovation (3) to be carried out. Otherwise, this distrust might easily have assumed fantastic proportions, as was the case in the Eastern Governments, where

(1) See the first part of this article in the *Bulletin of Economic and Social Intelligence*, November, 1913. pp. 119-134.

(2) A. A. KOEFOED gives in his often quoted work (1905), "*Einsiedelungen auf dem Nadiel-lande*" (Peasant Holdings on Nadiel Land), two good maps showing the areas readjusted in Poland, in the Baltic Provinces and in Russia.

(3) See ORDINSKY: *Etat des réformes agraires* in the *Sidshoi Khosiaistvo*, St. Petersburg, 1911. This hostile attitude towards all that is unknown seems inborn in all peasants, as it was in the natural man. It is enough to remember that the best known Danish economist of the 18th century speaking of similar proposed land reforms in Denmark, wrote "that it would be easier to induce the peasants to change their religion than to make them adopt a new system of cultivating potatoes."

the peasants believed that the surveyors and agricultural engineers travelling through the country were Government commissioners charged to take the peasants' land and give it to France, as France had assisted Russia in the war with Japan. On the other hand, it sufficed for two rural communes of a district of more or less area to adopt the new reform for the interest of the adjacent communes to be at once awakened, and for thousands on thousands of applications for readjustment to flow in from the districts and provinces to the land commissions.

To encourage the movement in favour of reform, the land commissions made very adroit use, especially at first, of the intervention of the Peasants' Land Bank, the powers of which had been increased for the purpose: the Bank had been granted power to buy landed estates for its own account and sell them again to the peasants in lots. Previously, sales of this kind were generally made before division to communities (peasants' associations or rural communes), which themselves undertook to divide the land among their members, according to the system described at the end of the preceding part of this article. By the new arrangement, the Bank, on the other hand, sold the land, as far as possible in single lots to individual peasants, whose farms gradually became models for their neighbours in the various Governments. The advantages of the new system of distribution were so evident, even to the most ignorant peasant, that the example was soon followed and a large number of rural communes decided to urge the land commissions to readjust their farms and improve the system of farming the nadiel land.

Thus, this "propaganda in action" of the Peasants' Bank facilitated the accomplishment of their mission for the land commissions: it started a new current, which could not but extend by mere force of circumstances, and which nothing could arrest. And in fact we see that applications for readjustment came in the early years in greatest number precisely from peasants in the Governments where the population had already a certain notion of the work to be accomplished by the projected reform, namely, the Governments of Vitebsk, Mohilev and Kovno, as well as various Governments of Little and South West Russia, such as Volhynia, Kiev, Voronetz and Kharkov.

In order that the reader may have a general idea of what has been accomplished up to the present, we reproduce a table showing the progress of the work of readjustment carried out by the Land Commissions, from the date of their institution up to 1912.

TABLE IV. — *Summary Results of the Work of Readjustment in Russia, 1907-1912.*

Year	Readjustment Being Carried Out			Readjustment Completed		
	Number of		Area in Deciatines	Number of		Area in Deciatines
	Communes	Households		Communes	Households	
1907 . . . . .	1,344	51,984	616,330	845	27,449	827,683
1908 . . . . .	3,266	119,861	1,105,684	2,573	94,087	863,787
1909 . . . . .	9,143	329,392	3,004,650	6,704	274,830	2,567,412
1910 . . . . .	12,188	419,044	3,936,296	9,595	376,162	2,447,247
1911 . . . . .	11,034	407,041	3,739,965	10,664	379,766	3,609,796
Total . . . . .	36,875	1,327,322	12,402,925	30,431	1,170,299	10,775,915

Thus the work completed in the course of the first five years affected an area of more than 10,750,000 deciatines, or about 12,000,000 ha., that is to say an area equal to about two thirds of the total cultivated area of Prussia or half that of the cultivated area Italy.

The land commissions received in all, in the first five years they were working, 2,653,202 applications for partial or total readjustment from 90,690 rural communes. Of these 1,338,682 from 20,659 communes were for the readjustment of entire communes or parts of communes (villages), in order to get rid of enclaves or the intermingling of peasants' and other proprietors' land; 1,314,520 applications received from 70,031 rural communes were for the rounding off of *nadiel holdings* belonging to individual peasants. In Russia the first system is habitually called "group work" or "collective farm readjustment", whilst the rounding off of individual peasants' farms is termed "individual work" or "individual farm readjustment".

We shall now consider more closely the work done in each of these two chief groups:

(a) *Union and division of Nadiel holdings*, while maintaining the collective system of farming (*collective farm readjustment*).

This work, in the above mentioned period (1907-12), was generally limited to getting rid of enclaves and to the subdivision of more or less considerable communes: a portion of the land built on belonging to the village of the original commune was alienated and groups of buildings erected in the neighbourhood; in this way the distance between the land fit for cultivation and the peasant's house was reduced and the working of the farm facilitated.

The following table shows the increase of the area on which this work was carried out during the five years 1905-11.

TABLE V. — *Collective Readjustment carried out by the Land Commissions.*

Year	In Course of Preparation			Work Carried Out			Approved by the Peasants		
	Number of		Area in Dvinitines	Number of		Area in Dvinitines	Number of		Area in Dvinitines
	Communes	Peasants' House- holds		Communes	Peasants' House- holds		Communes	Peasants' House- holds	
1907..	349	30,985	343,923	238	13,361	132,212	138	6,372	59,892
1908..	936	54,947	467,780	687	38,169	289,407	421	20,016	151,985
1909..	2,184	158,696	1,318,763	1,773	134,544	1,131,005	1,396	93,771	691,504
1910..	3,256	201,278	1,681,535	2,394	178,779	1,469,330	1,734	121,408	912,616
1911..	2,906	186,661	1,443,892	2,830	176,830	1,357,520	2,275	126,055	992,872
1912..	—	—	—	—	223,518	1,848,298	(1)	(1)	(1)
Total.	—	—	—	—	—	—	—	—	—

(1) According to the new law of May 29th., 1911, it is for the Senate to give final approval; that is why the above headings are not found in later statistical tables.

The above return shows that the work of farm readjustment of this class in course of execution already at the end of the sixth year affected 1,000,000 hectares and the work completed 5,000,000 hectares, or 50,000 sq. kms., that is an area equal to that farmed in the whole of Bavaria.

As has been said, this work was for the most part undertaken to get rid of enclaves or other inconveniences in the distribution of farms between rural communes, and it had necessarily to precede the readjustment to be made within the commune (for the various peasants' households forming part of it). The specification of the work as given in the following table shows that it was really in this way the farm readjustment was regarded.

TABLE VI. — *Specification of the Work of Collective Readjustment Carried out in 1907-1911.*

Class of Work of Readjustment Carried out	In Course of Preparation			Work Carried out			Approved by the Peasants		
	Number of		Area Déclatines	Number of		Area Déclatines	Number of		Area Déclatines
	Communes	Peasants' House-holds		Communes	Peasants' House-holds		Communes	Peasants' House-holds	
1. Division of land held in common among villages and parts of villages . . . . .	7,836	532,344	4,815,738	6,963	458,048	4,021,869	4,681	297,189	2,528,424
2. Readjustment for the separation of holdings for individual peasants from the nadiel land.	474	10,136	118,624	341	97,560	97,560	393	7,139	85,270
3. New distribution of land with a view to the more scientific cultivation of nadiel land and other holdings . . . . .	59	3,503	32,424	35	2,731	22,033	31	2,471	20,445
4. Separation of nadiel land from other land intermingled with it. . . . .	883	60,868	225,113	767	52,404	185,319	625	42,067	126,673
5. Division of collective land among peasants and other land holders . . . . .	379	25,516	63,690	301	20,179	52,702	262	18,756	48,037
Total for the various classes of work . . . . .	9,631	632,567	5,255,593	7,927	541,683	4,379,474	5,094	367,622	2,708,869

We see from this table that while the total work of readjustment carried out affected 541,683 households possessing 4,379,474 deciatines (48,000 sq. km.), the division of the whole nadiel land of communes into villages and fractions of villages (1) affected not less than 458,048 households, possessing 4,021,869 deciatines (in round numbers, 44,000 square km.) and the other classes of work only affected 358,000 deciatines (about 4,000 sq. km.). Among the latter undertakings the most important referred to the elimination of enclaves existing between the peasants' nadiel holdings and the farms of other land holders, and the suppression of the common enjoyment of certain holdings by the peasants and other land holders (abrogation of rights of collective enjoyment etc). On the other hand, the results of the work included under the 3rd. heading, New Distribution of *Nadiel* Land with a view, for example, to facilitating for the peasants the passage to the system of triennial rotation of crops, in practice proved unsatisfactory and the work was stopped by the new law of May 20th., 1911.

The work of collective land organization may be considered as readjustment outside of the nadiel, as the respective farms of the peasants must, almost without exception, undergo a new inside readjustment to get rid of the intermingling of the lots of the various individual proprietors (2).

It also appears from the above that in view of the extremely large area of Russian land under consideration, about 1,000,000 sq. kms., a really prodigious amount of power, rapidity and thrift will be necessary for the solution of the various problems under consideration in the course of this century. K. A. Wieth Knudsen, therefore, in no way exaggerated in saying in 1907, in his study of the *Increase of Population and Progress*, that the Russian reforms in relation to the peasants will require at least a century or their completion."

(b) *Readjustment and division of nadiel holdings among the various individual members of the rural commune* (individual farm readjustment).

This class of work of farm readjustment, of which we have already shown one of the general characteristics, in its turn, falls into three groups. The first includes the readjustment of all the nadiel land forming the common property of a village (*mir*), at the same time providing for the new lots to become the individual property of the various peasants.

The second group affects those rural communes, the land of which is already possessed individually, but too much split up, for the excessive subdivision of land into scattered lots already spoken of in § 3 was met with in communes in which the land was divided among individual proprietors as well as in communes in which collective farming was maintained.

(1) This specially concerns the very numerous rural communes, which, at the date of the abolition of serfdom, in 1861, received as a single undivided holding all the land belonging to the villages of which they were composed. (They were called "single plot villages").

(2) These terms correspond with those adopted in the official German translation of the report of MM. Stolypine and Krivosheina, "La Colonisation de la Sibirie", pp. 75 and 77.

Finally, in the last group, is included readjustment of nadiel holdings to be carried out in favour of the peasants of this or that rural commune.

As the figures in the following table show, in 1907-08, all these groups assumed a greater importance than could have been foreseen, when the tenacious vitality of the *mir* and the conservative spirit of the Russian peasant are considered.

TABLE VII. — *Individual Farm Readjustment carried out by the Land Commissions.*

Year	In Course of Preparation			Carried Out			Approved by the Peasants		
	Number of		Area in Deciastines	Number of		Area in Deciastines	Number of		Area in Deciastines
	Communes	House-holds		Communes	House-holds		Communes	House-holds	
1907 . .	895	20,990	272,707	657	14,088	155,471	562	8,241	88,94
1908 . .	2,330	64,914	637,904	1,886	55,918	574,380	1,528	42,110	436,52
1909 . .	6,959	170,646	1,685,887	4,931	140,286	1,436,407	4,150	118,529	1,222,44
1910 . .	8,932	217,766	2,254,761	7,196	197,383	1,977,967	5,819	150,268	1,459,38
1911 . .	8,128	220,380	2,296,073	7,834	220,936	2,252,276	7,106	204,260	2,050,87
1912 . .	—	—	—	—	234,816	2,340,244	(1)	(1)	(1)

(1) See note on page 135.

As appears from this table, the work of individual farm readjustment carried out in the last six years affected 7,000 000 deciastines, or more than 70,000 sq. kms., an area three times that of all the cultivated land of Denmark, where similar work required a whole generation for its completion.

But to appreciate at its just value this powerful movement of agricultural reform as well as its consequences, we must consider more nearly the methods of procedure adopted by the land commissions in their work of readjustment and allotment.

The applications of the peasants for the execution of the work must be addressed to the local commission of the district. In the course of the period under consideration (1907-12), applications of the kind were received from 100,000 rural communes, including 1,500,000 peasants' households (representing an agricultural population of about 8,000,000 souls).

The local commission entrusts the matter to one of its members or to a surveyor who goes to the village to study the situation in all its features on the spot. This confidential agent of the commission must especially study the most scientific method of farm readjustment from

the point of view of agricultural technique and of the requirements of the particular farm. The application is then referred to the local commission together with the report of the surveyor. The local commission decides whether the business shall be proceeded with or refuses the application if it is not in conformity with the law or if there is not sufficient justification for it; the commission may also order a supplementary enquiry; or, finally, when every thing has been decided, it may forward all the papers to the provincial commission for its approval. This commission gives order at the second instance, and returns the papers approved to the local commission, unless there are technical or legal objections. It is only then that the readjustment applied for may be entered in the list of the works to be carried out. The members of the local commissions amongst whom the work is divided are assisted by a large technical staff of surveyors, scientific agriculturists, and hydraulic engineers. The peasants themselves are obliged by the law to assist the technical agents of the land commissions in their survey work etc.

These surveys and the readjustment are carried out as follows: first of all, the limits of the area of the farms to be readjusted are defined as well as the area of the lots each of the members of the rural commune shall receive. The area to be allotted to each family of peasants is calculated in accordance with the general principles already set forth generally according to the number of working men), without it being necessary to proceed to the surveying of thousands and thousands of parcels in order to establish an effective redistribution of the land. This summary procedure being in accordance with the customs of the Russian peasants and the historic development of the distribution of peasants' lands in Russia and considered by the peasants as the most equitable, naturally simplifies much of the work of the land commissions. It is well in this connection and for special purpose, to observe the comparative ease with which compensation is given in the division of holdings for the difference in *quality of the soil*, to which may be attributed the surprising rapidity with which the work of readjustment has been carried out in Russia. The valuation of the land and the compensation to be given for differences of quality notoriously constitute the chief difficulties in all such undertakings; in Western Europe the work has often failed altogether or in part, owing to such causes.

The valuation of the land in Russia is habitually made by a deputation of peasants from the commune concerned, under the supervision of a surveyor. The value of the soil is not generally established in money; the land is simply subdivided into various classes and the calculation is made on the principle that a definite area of such or such a class is equivalent to a definite area of another class. Sometimes recourse is had to the sale by auction of such or such a lot among members of the rural commune, but that very often excites discontent and protests; it generally happens that the peasants do not get their land valued, as they say that the value of the soil is more or less the same for the whole area belonging to the village.

The area of the holdings assigned to each family of peasants being established and account also taken of the better or worse qualities of the soil,



the roads are marked out and the boundaries fixed on the spot: after which the agent entrusted with the direction of the work of land readjustment summons those concerned to a general meeting. He submits the plan of the new readjustment to the peasants and takes note of any objections that may be made. If he considers them reasonable, he arranges for the rehandling of the plan. If there are no further objections, or if those made are considered unreasonable by the agent, a report is prepared: a term of a month is allowed for those concerned to make further objections; these must be addressed to the land commission of the district, to which the papers (documents and reports) relating to the readjustment are forwarded. The Commission approves the draft plan and those interested have the right to forward any objections they may have, to the provincial agricultural commission. Notwithstanding the minute details of this procedure, not at all bureaucratic however, since it leaves the local agricultural population considerable influence both in the practical execution of the work and the solution of legal problems (half the members of the land commission are peasants), the whole work of land readjustment has made, as we have said, extraordinary progress, and this is true especially of individual farm readjustment, which presented complicated difficulties and required considerable time. To complete the figures given already we reproduce in the following table a specification of the work of readjustment in conformity with what has been above stated.

TABLE VIII. — *Specific Report of the Work of Individual Farm Readjustment Carried out in the Years 1907-II.*

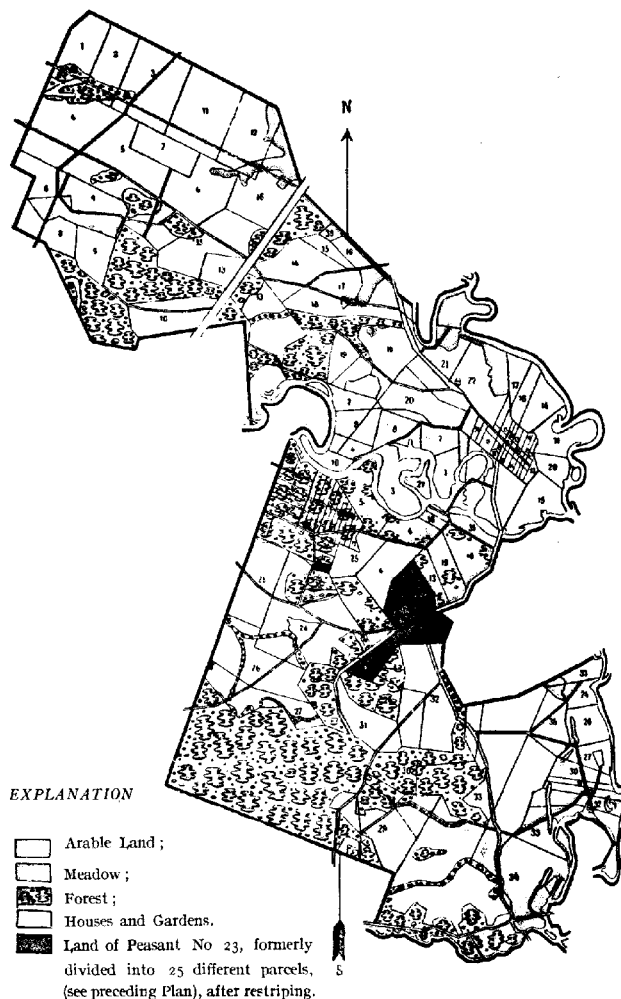
Kind of Work of Land Readjustment Carried out	In Preparation			Carried out			Approved by the Peasants		
	Number of		Area. (Deciastines)	Number of		Area. (Deciastines)	Number of		Area. (Deciastines)
	Communes	Households		Communes	Households		Communes	Households	
(1) Complete Readjustment of Entire Villages with Collective Property, Readjustment of the Lots of all the Members of the Commune .	6,804	339,885	3,765,767	5,079	305,070	3,336,392	5,450	265,569	2,843,511
(2) Complete Readjustment of Native Villages with Individual Property, and Readjustment of the Lots of all the Members of the Commune . .	4,395	167,475	1,423,924	3,960	153,754	1,272,491	3,455	129,253	1,090,2
(3) Readjustment of Villages, with Readjustment of the Lots of Peasants desiring their Land to be Converted into Individual Property . . . . .	16,045	187,695	1,933,661	12,565	169,787	1,787,618	10,260	129,253	1,344,11
Total Work Done . . . . .	27,244	694,755	7,147,322	22,504	628,611	6,396,501	19,165	523,408	5,284,11



# **Plan of the Village of Bubnowka** *in the Government of Minsk after Survey and Restriping.*

Of the 34 families (See the Plan in Bulletin for November, page 128), 22 have received holdings of an area of 30 ha. (27 deciatines) on which they have built their houses. The remaining 12 still live in the Villages, but have also received holdings of an area of 25 ha. (23 deciatines), for the most part consisting of three portions (arable land, forest and meadow).

At the request of the peasants, the land marked No. 35 was left undivided and meadows and forests have also been kept for collective use.



These figures show that a general readjustment of the land of entire villages has been carried out in the course of the above five years over an area of 4,608,883 deciatines, or 50,000 square kms.; to this must be added the partial readjustment of other villages, by the rounding off of individual peasants' farms over an area of 1,787,618 deciatines or 20,000 square kms. As all this work has necessarily to be preceded by the "inside survey of the nadiel" (the most complicated form of survey), this is really a record case of surveying and readjusting. In fact, the highest figures yet known (Sweden 1851-1860: 36,046 households possessing 33,220 sq. kms. of land) would correspond, in a period of five years, to 18,000 households and 16,600 sq. kms.; and yet these Swedish figures, when compared with those for Denmark (about 30,000 sq. kms. in the course of at least one generation) and Germany (seven provinces of Old Prussia in 1821-1870, 162,240 sq. kms. for farm readjustment of every kind, or, in proportion, 16,000 sq. kms. in the course of five years) must in their turn be considered as evidence of a very considerable work.

The success of the Russian land reform, judging by its external aspect, is in fact surprising, so that if we had not more accurate knowledge of the local conditions we have described, which have largely contributed to simplify the whole process, we might doubt whether it had been scientifically conducted. In order to enable the reader to appreciate still better this work in its concrete results, we shall devote the whole of the next section to a study of the practical success obtained and of what the peasants themselves think of it.

In order clearly to show the kind of surveys, valuations, readjustments and divisions effected, as well as the changes made in the situation of the dwelling houses, we shall give the plan of a village after readjustment, from Russian official sources. As this is a plan of the same village of which the original plan, that is to say, before readjustment, was reproduced in the number of this Bulletin for November, 1913, a comparison of the two will give an exact idea of the usefulness of this farm readjustment, the difficulties that had to be overcome in carrying it out and the results obtained, better than any verbal description could.

In order to ensure the execution of all this work of farm readjustment which, since the end of the first three years, has been carried out over an area of 4,851,259 deciatines (50,000 sq. kms.) which, according to the estimate, required more than 200,000 days for their surveying, the local land commissions employed from the beginning of 1909 a staff of 1,911 professional surveyors and 1,360 assistant surveyors. In addition, the commissions had altogether 395 business managers, and 411 other members who assisted in the practical work, without counting 122 special officers of the General Management of Agriculture at St. Petersburg and 178 other persons (Crown Lands officers and soldiers); thus in 1909 there were 4,584 miscellaneous employees directly assisting in the work of this most extensive land readjustment the world has seen, and in 1910 the number had increased to 5,120.

The largest number of surveyors in the first years worked in the following five provinces (Governments):

TABLE IX.

	Surveyors 1909-10	Work of Land Readjustment Carried out			
		Individual Readjustment.		Collective Readjustment.	
		Déciatines 1910	Déciatines 1911	Déciatines 1910	Déciatines 1911
Samara . . .	192	684,759	945,205	56,853	56,853
Vitebsk . . .	184	207,657	253,170	19,838	25,383
Saratof . . .	158	249,447	339,477	20,991	38,840
Kherson . . .	127	226,249	280,404	29,815	46,815
Mohilev . . .	116	188,204	189,538	38,320	40,505

As we see, about a third (1,500,000 déciatines) of all the work of inside farm readjustment and more than one eighteenth of all the outside surveying of the nadiel was done in these five provinces, forming a very considerable proportion of the whole work done; for it is well to observe that the inside surveying (that is within the limits of the nadiel) is much more complicated and takes much more time than the other.

Although considerable, the number of officers is yet insufficient to meet the continually increasing applications of the peasants for farm readjustment. The numerical insufficiency of the employees and their want of experience are among the principal difficulties in the way of farm readjustment. It seems that these difficulties in certain cases have their influence on the carrying out of the work (1): on the other hand, it appears from official reports that the General Management of Agriculture by the institution of *special winter courses* during the inevitable suspension of the survey work, is endeavouring to increase the proportion of surveyors well trained for their business, as before the beginning of the farm readjustment work, there was hardly any knowledge of it in Russia. These efforts have been fully successful and the result has been that since 1911 the number of professional surveyors attached to the land commission has increased to 2,730 and that of the assistant surveyors to 2,722. If to these we add the members of the 47 provincial commissions and the 471 local commissions, directly taking part, to the number of 6,000 in the work of farm readjustment, we obtain a total of 11,000 persons assisting as functionaries in the great work of farm readjustment in Russia (2).

(1) See F. E. ORDINSKI: "The Present Situation of the Land Reform", May-June Number of *Sidshoié Khosiaistvo i Liessovodstvo* (Bulletin of the General Management of Agriculture).

(2) *Zemleoustroïstvo*, 1912, p. 21.

#### § 4. REFORMS WITH THE OBJECT OF INCREASING THE AREA OF LAND HELD BY PEASANTS.

In the preceding sections we have dealt exclusively with the work in connection with the readjustment of farms and the redistribution of those held by the peasants; we shall now deal with the provisions relating to the third great problem of agricultural politics, that is to say: the increase of the area of land held by the peasants who, in general, are insufficiently supplied with land.

It is partly to the Peasants' Land Bank and partly to the land commissions that the solution of the problem has been entrusted in a series of ukases promulgated in 1906, with which we shall deal hereafter. Although, owing to the very nature of the work of farm readjustment, there has been a continual and close collaboration of the Peasants' Land Bank with the land commissions, we shall here, in order to emphasize them more, show separately the various measures taken for the purpose and their effects, beginning with the work of the Peasants' Bank, as this Bank has played the principal part in relation to the increase of the peasants' land.

##### (a) *Operations of the Peasants' Bank.*

The Peasants' Land Bank, founded in 1882, had at the start the sole duty of advancing money to peasants for the purchase of farms. These loans were granted for long terms ( $24\frac{1}{2}$  -  $34\frac{1}{2}$  years) up to the amount of 60 % (in some cases even 90 %) of the estimated value of the land bought. The maximum loan obtainable, however, was 500 roubles per household or 125 roubles per individual (adult male). The loans were repaid in very large annual instalments;  $8\frac{1}{2}$  % (interest and sinking fund) on loans for  $24\frac{1}{2}$  years,  $7\frac{1}{2}$  % on those for  $34\frac{1}{2}$  years; in November, 1894, these rates were reduced to  $7\frac{1}{2}$  and  $6\frac{1}{2}$  % respectively. By an Order of December 6th, 1908, five periods for extinction were fixed (13, 18, 28, 41 and  $55\frac{1}{2}$  years) with annual instalments of  $10\frac{3}{4}$ ,  $8\frac{3}{4}$ ,  $6\frac{3}{4}$ ,  $5\frac{3}{4}$  and  $5\frac{1}{4}$  % respectively. By this change, the rates were virtually again reduced, on an average by  $\frac{1}{4}$  %.

We have not here to study these operations from the financial point of view. That important part of the work of the Peasants' Land Bank was dealt with in our article on Russian Agricultural Credit, whilst here we have only to consider the work of the Bank in regard especially to farm readjustment and above all the service rendered by the Peasants' Bank for the encouragement of home colonisation. The Bank, since the publication, towards the end of 1895, of its new rules, has been authorized to purchase landed estates for its own account, in order to subdivide them and sell them again in lots, as far as may be, to peasants. At first, these powers were conferred on the Bank up to 1911; the term was later indefinitely extended by the 3rd. Duma.

In accordance with these provisions, the Bank had displayed a certain activity, in the period 1896-1905, in the field of home colonisation, having sold directly to peasants 700,000 deciatines of land for a total value of 52,000,000 roubles.

In order further to encourage the work of the Bank in this field, the following measures were adopted in 1906:

1. By Imperial Ukase of November 5th./18th., 1906 the Bank was authorized to grant loans on nadiel land, which up to then could not be mortgaged, as it was already heavily burdened with mortgages to the State as security for purchase price.

The balance of the mortgage debt to the State having been extinguished (by Manifesto of November 3rd./16th., 1905 see §1. at the end), this impediment was removed, and when the peasants needed money, not alone for the purchase of new land, but for the realisation of the new land reforms, they were in a position to contract loans with the Bank on mortgage of the nadiel land which formed their chief assets. These loans, however, could only be contracted for agricultural improvements or for the extension of the area of peasants' farms; in the case of land purchase, the amount advanced by the Bank is paid by it directly to the seller (in no case to the peasant purchaser); in the case of farm improvements the Bank itself supervises the employment of the loan; in this way the danger has more or less been eliminated of the peasants running too deeply into debt through the loans they are allowed to contract on the security of nadiel land.

2. By virtue of an amendment of the rules of the Bank (§54), in the year 1895, the maximum loan, instead of being fixed absolutely was fixed at a certain proportion (60-90 %, in certain cases up to 100 %) of the estimated value of the land the adult males of the family were capable of cultivating themselves. This was really raising the maximum of the loan, the more so as regulations of December 3rd./16th., 1900, stipulated that the lots of land the peasants could buy through the medium of the Bank must be at least 10 deciatines in area and at most 21 deciatines per household.

In the new conditions these provisions were out of place; from the beginning of 1912, the area of the ordinary holding the Peasants' Bank had to supply for each household was calculated in proportion to three times the maximum established for the adult males (see section 2): the areas of the new lots consequently vary from  $8\frac{1}{4}$  to 21 deciatines, according to local conditions.

3. After a temporary increase in the rate of interest (July 14th./27th 1905), the amounts of the instalments to be paid by the peasants on loans from the Bank were again reduced, by a ukase of October 14th./27th., 1906 to  $9\frac{1}{4}$ ,  $7\frac{1}{4}$ ,  $5\frac{1}{8}$ ,  $4\frac{9}{10}$  and  $4\frac{1}{2}$  % respectively, according to the various dates of maturity. This considerable decrease in the instalments of (from  $\frac{3}{4}$  to  $1\frac{1}{4}$  %) really means a reduction of the rate of interest to 4 % per ann., so that the loans on land made by the Peasants' Bank are now al

most as little of a burden as elsewhere, in countries with an advanced organization of agricultural credit.

At the same time, other provisions regarding the conditions of the loans have encouraged and provided funds for the carrying out of other agricultural reforms. Thus, the maximum loan on lots divided into small parcels has been fixed at 50 % of the estimated value, while in the case of undivided holdings it has been fixed at 90 %. It was further stipulated that for the purchase of land intended for individual farms, the purchaser would only have to pay 10 % of the purchase price in cash; in some cases he is exempted from any cash payment. On the other hand, the Bank requires from other purchasers (rural and peasants' associations) a cash payment of from 15 to 20 % at date of purchase.

4. By ukase of August 12th., 1906, a comparatively large area (about 600,000 déciatines) of Crown Land (of the appanage administration, not to be confounded with the domains) (1) was placed at the disposal of the Bank for sale to the peasants.

To accomplish all its new duties, the Bank had quickly to realise considerable amounts and as the Russian finances at this period, that of the Russo-Japanese war and internal troubles, were not in a very flourishing condition, so that any financial assistance on the part of the State seemed impossible, the Minister of Finance, M. Witte (2), devised the following wise solution: by Imperial Ukase of March 21st./April 3rd., 1906, the Bank was relieved from the necessity of making payments in cash; it could, on the other hand, purchase landed estates by means of the issue of 5 % certificates (bonds); these could again be exchanged by the holders for personal books. These books, yielding 6 % per ann. are redeemable in ten years from the 6th. year of issue. It is virtually as if at comparatively high interest the Bank has contracted with the sellers of landed property.

In this way, the Bank bought in the course of five years a considerable area of land, as appears from the following table:

(1) Ukase of August 27th., 1906, the provisions of which regulate the action of the Bank and commissions. See below.

(2) Those who are acquainted with the agricultural history of the North will find a resemblance between the personality of M. Witte and that of Schimmelmann, who was Minister of Finance in Denmark a century and a half ago, as there are also resemblances between Stolypine and the Minister Bernstoff, on the one hand, Krivosheine and Reventlow on the other. The names of the German Ministers, Stein and Hardenberg, will suggest themselves to everybody's memory.



TABLE X — *Landed Estates Bought by the Peasants' Bank to Sell again.*  
(*Deciatines*).

	Bought in the year	Crown Lands Transferred to the Bank.	Remaining with the Bank, owing to non-fulfilment of Contract	Total
Balance on January 1st.				
1906 . . . . .	263,272		51,514	314,786
1906 . . . . .	1,144,461		51,551	1,196,012
1907 . . . . .	1,519,848	353,713	158,946	2,032,507
1908 . . . . .	572,082	784,122	140,829	1,497,033
1909 . . . . .	172,855	57,627	53,069	283,551
1910 . . . . .	48,444	570	11,472	60,486
Total . . . .	3,720,962	1,196,032	467,381	5,384,375

This table shows that the Peasants' Bank has received a considerable area of Crown Land (1,196,032 déciatines); unhappily the area of land acquired and remaining with the Bank owing to non-fulfilment of contract on the part of purchasers is also considerable: 467,831 déciatines, or more than 8 % of the entire area the Bank had at its disposal.

But it is above all the enormous number of private farms sold to the Bank which deserves to be considered. In the course of the year 1907 alone, the year following the agrarian disturbances, the Bank bought 1,519,848 déciatines of such land. In order to show more clearly the hastiness of the sale of these large landed estates, we reproduce below a few passages from the preface of the Report of the Peasants' Bank, which is an excellent commentary upon the figures reproduced above:

"The latent agitation among the peasants which, in the course of the last six months of 1905, degenerated into acts of violence, caused a panic among the landed proprietors. Agitators instigated the population to aggression; the landowners were to be driven from their estates in order that the peasants might proceed to the occupation of their farms. Plunder, destruction of live and dead stock, incendiarism, the devastation of forests to which the peasants openly abandoned themselves, suspension of labour and other similar acts, all rendered the management of landed property impossible. The losses suffered and the want of security for the future obliged many landed proprietors at once to sell their estates. The supply was excessive, the number of buyers comparatively insignificant; the peasants were waiting for the division of the land (*icherny pérédel*) announced by the revolutionaries; private persons did not dare to invest their capital in land. It was to be feared that the large quantity available would fall into the hands of speculators who, when order was once re-established, would, as usual, abuse their position and take advantage of the people when reselling the land they had themselves bought at low prices."

In these last lines the Report of the Peasants' Bank touches what has been a weak point in the organization of the sale of land to peasants up to the present: the deplorable part played by intermediaries, generally Jews, who have monopolised this kind of trade to the detriment of the landowners and peasants, while the Bank itself has not always been able to dispense with the services of these middlemen and speculators.

To prevent these abuses, advantage was taken of the work of the land commissions, to which was entrusted the special duty of advising in regard to prices and the value the land offered for sale to the Peasants' Bank might have for colonisation and of playing the part of impartial intermediaries between the landowners selling and the Bank on the one hand, and the Bank and the peasants buying on the other, so as to more and more prevent the disastrous action of the professional speculators in land. The following figures relating to the services rendered by the land commissions as intermediaries show that they have not been slow in attaining this high object.

TABLE XI. — *Intermediary Service of the Land Commissions in the Purchase of Land by the Peasants' Bank.*

Year	Farms offered to the Peasants' Bank	Recommended for Purchase	Proposed Purchase Refused	Proposals as to which no Decision has yet been taken
1907. . . .	4,684,005	3,440,618	923,601	319,786
1908. . . .	1,590,275	1,105,996	546,691	207,374
1909. . . .	416,281	330,313	165,137	128,205
1910. . . .	361,012	160,428	226,675	102,104
1911. . . .	209,635	93,691	95,238	122,870
	7,261,198	5,131,046	2,007,342	880,339

Almost all offers of land for sale made to the Peasants' Bank are now examined by the land commissions and this is often the case with the prices asked by the landowners. In the course of the last five years, the commissions have considered the value of 2,449 holdings of an area of 514,380 déciatines. This has led to the reduction of the price asked by the sellers from 145 to 111 roubles per déciatine, or almost 25 %. These figures show the necessity and success of this intervention of the land commissions in the business of the purchase of land. The land commissions do not intervene in business conducted directly between peasants and landowners (without the mediation of the Peasants' Bank). In this business directly conducted, the commissions have had to give their opinion in 16,035 cases relating to farms of a total area of 1,961,581 déciatines.

We shall now see how the Peasants' Bank proceeded in disposing of this enormous quantity of land, for of course it was not provided with the necessary organization for so large a scheme of home colonisation.

First of all, special provincial sections of the board of the Bank were founded, by decisions taken on July 20th., August 4th, and November 6th., 19th., 1906 by the Council of Ministers. Delegates of this board of the Bank were charged to supervise, in concert with the members of the Central Committee of Land Organization at Saint Petersburg, the sales of landed property made to the Bank through the medium of these provincial sections of the board. The latter, in their turn, put themselves in relation with the provincial land commissions, increased the staff of the provincial branches of the Peasants' Bank and perfected the technical service both by engaging surveyors and agricultural engineers and temporarily utilising the services of the staff of the local commissions for farm readjustment. In 1908, 26 managers with 291 trained surveyors and 105 hydraulic engineers for the sinking of artesian wells to provide water for individual farms (*khoutor*) were attached to the provincial branches of the Bank. The land commissions also supplied the Peasants' Bank in the same year with 771 surveyors, but the number is still insufficient.

The return of the sales of land made by the Bank, in the course of the last five years through the medium of its branches, witnesses to the success of the work, really extraordinary both as regards area and thoroughness.

TABLE XII. — *Fluctuations in the Amount of the Land Reserved by the Peasants' Bank (Déciatines).*

Years	Situation on January 1st.	New Purchases Made in the Year	Land Sold	Increase (+) and Decrease (-) in the Amount of Land Reserved
1906 . . . . .	314,786	1,196,012	39,634	+ 1,156,328
1907 . . . . .	1,471,164	2,032,507	190,799	+ 1,841,768
1908 . . . . .	3,312,872	1,497,033	331,757	+ 1,165,228
1909 . . . . .	4,478,148	283,551	562,983	— 279,437
1910 . . . . .	4,198,716	60,486	371,786	— 311,338
Total . . .	—	5,069,589	1,496,959	—

Thus, in the course of the last five years the Bank has sold land of an area of more than twice the total of that sold to the peasants in the two preceding periods of five years (1896-1905).

When we dealt (in the previous section) with the work of the land commissions in connection with land readjustment we showed that the Peasants' Bank also participated in the other land reforms (readjustment of peasants' farms) precisely in virtue of the sales of land it conducted

whereas by an ukase of November 3rd./16th., 1905, the land sold to the peasants must be divided as far as possible in lots of a single piece of suitable size, so that the Bank of necessity contributes by these sales to the formation of small farms of a single piece. In order to show this more clearly we reproduce the following table.

TABLE XIII. — *Return of Sales of Land by the Peasants' Bank (Déciatines).*

Year	Land Sold with Right (i) to Mortgage				Land sold for Cash or Restored to the Original Owners, or given in Exchange or Freely		Total	
	To Individual Peasants		To Communes and Associations of Peasants					
	Total	%	Total	%	Total	%	Total	%
1906 . . . . .	1,241	3.1	38,003	95.9	390	1.0	30,634	100.0
1907 . . . . .	4,559	2.4	175,589	92.0	10,651	5.6	190,299	100.0
1908 . . . . .	126,043	38.0	198,913	60.0	6,801	2.0	331,757	100.0
1909 . . . . .	432,487	76.8	118,826	21.1	11,676	2.1	562,983	100.0
1910 . . . . .	332,036	89.3	31,142	8.4	8,638	2.3	371,786	100.0
Total. . .	896,366	59.9	562,437	37.6	38,156	2.5	1,496,959	100.0

(1) As guarantee of the balance of purchase price still due.

Not less than 896,000 déciatines (1,000,000 ha.) or  $\frac{1}{4}$  of the total and sold, was divided into well rounded off lots (*otrouba* and *khoutor*); the figures in the table show that the sales to individual peasants are increasing more and more in importance in comparison with those made to collective bodies (rural communes and peasants' associations). Certainly, many difficulties had to be overcome, disagreements between members and with outsiders to be got rid of, before the work of the Bank could be given this new direction. For a proper system of surveying and the subdivision and sale of land to peasants in lots of a single piece answering to the technical requirements of agriculture, a work of many years was necessary, that is a work incomparably more considerable than the summary mode of alienation previously in use and it is very easy to understand that a large number of members of the board of the Bank at first were hostile to this new undertaking. The selling price of all the land amounted to 80,000,000 roubles, so that the average price per déciatine, which up to the year 1905 had never been 100 roubles, now almost always exceeds that sum.

Figures recently published show that the success of these sales of land is now assured and has surpassed all anticipation: the sales definitely concluded corresponded on January 1st., 1912 with a total area of 2,647,487 deciatines as compared with 1,496,956 deciatines in July, 1910. No detailed return of the subdivision of these farms, the total area of which far exceeds that of the cultivated area of Denmark or Holland, has yet been published. We have, however, drawn up the following table, from official sources, showing the amount of land sold, and of that not sold or not saleable, included in the reserve land belonging to the Peasants' Bank.

TABLE XIV. — *Sales of Land by the Peasants' Bank since January 1st., 1905.*

	Situation	
	July 1st., 1910	January 1st., 1912
(1) Sales Definitely Concluded	1,496,959	2,674,487
(2) Sales not Finally Concluded	953,582	88,307
(3) Sales Prepared by Conclusion of Contracts . . .		683,342
(4) Sales Arranged on Payment of Advances . . . . .	309,746	306,881
1-4 . . . . .	2,760,787	3,753,017
(5) Land Surveyed and Ready for Sale . . . . .	694,174	280,749
(6) Land Surveyed, but not yet Divided in Lots . .	209,511	220,353
(7) Land Suitable for Sale, but not yet Surveyed . . .	766,835	603,554
5-7 . . . . .	1,760,420	1,104,656
(8) Crown Land Let for Long Terms and Consequently not Divisible in Lots .	633,668	415,730
(9) Other Unsaleable Land .	320,000	478,518
	953,668	894,248
(1-9) Total . . . . .	5,384,375	5,751,821

The importance of these figures is evident in itself, from the fact that the area of the land for sale (2,300,000 deciatines in round numbers) added to that of the land definitely sold since 1906 by the Peasants' Bank (2,674,487 deciatines) gives a total of nearly 5,000,000 deciatines, almost

qual to that which would have had to be sold in 1905, in order that all the nadiel lots of less than 5 deciatines each might be increased to the area of 5 deciatines.

A large part of the reserve land of the Bank is, however, situated in regions in which the peasants least require land; it is very difficult to form a considerable reserve in regions where the need of increasing the lots is greatest. Thus, of the 5,000,000 available deciatines, not less than 1,500,000 were situated in the Governments of Saratov and Samara, where the average area of the nadiel is between 10.4 and 21.6 deciatines, whilst there is scarcely any land available in the Governments of Little Russia and of the South West, as large estates in those regions are comparatively few.

The only means of meeting the difficulty here is for a part of the peasants insufficiently supplied with land in the Governments of the South West and Centre of Russia to sell their nadiel lots to their commune and use the produce of the sale and the credit granted to them by the Peasants' Bank for establishing themselves in the Eastern Provinces. This Eastward movement has indeed long commenced and in its general features is entirely similar to the emigration to Siberia, for the same reasons, of entire Russian villages.

There are also two other difficulties impeding this gigantic undertaking in the sale of land, namely the impossibility of rendering all the land bought utilisable for the peasants and the difficulty of keeping all under cultivation up to the moment when it may be profitably sold again to the peasants. With regard to the first of these difficulties, our last table provides the following figures: 320,000 deciatines (not utilisable by peasants) on July 1st, 1910, and 478,518 deciatines on January 1st, 1912. Practically, the area of this land increases with the purchases, since on many of the landed estates, there are portions (forests, parks, brick fields etc.) not utilisable for home colonisation.

In virtue of instructions received in February, 1908, the Bank is providing for the reduction of losses in yield and in capital (value of the land) through the difficulty of keeping the farms bought for sale to the peasants under cultivation. The provincial sections of the board of the Bank have been ordered first of all to lease the land for short terms and keep the buildings in repair.

In spite of inevitable defects and errors in the work of colonisation on such a scale, the principal part of the land reserve of the Bank has already passed into the hands of the peasants, especially of the small farmers most in need of it. This is seen in the statistics collected by the Peasants' Bank for the years 1908-09, classifying the purchases according to the area of their holdings (1).

(1) Report of the Peasants' Bank for the period 1906-10, p. 35.

TABLE XV. — *Classification of Purchasers from the Peasants' Bank, according to the Area of their Holdings.*

Area of Holdings	Total Figures				Percentage
	Individual Peasants	Rural Communes	Peasants' Associations	Total Purchasers	
0 Deciatines . . . . .	14,565	7,693	1,194	23,457	22.1
0-1 1/2 " . . . . .	11,230	4,833	1,664	17,727	16.7
1 1/2-3 " . . . . .	10,048	6,012	4,070	20,130	18.9
3-5 " . . . . .	9,018	8,942	5,811	23,771	22.4
6-9 " . . . . .	3,321	4,921	2,465	10,707	10.1
9-15 " . . . . .	2,052	3,452	2,246	7,750	7.3
Above 15 " . . . . .	734	1,270	756	2,760	2.5
Total . . . . .	50,968	37,123	18,206	106,302	100.0

Thus four fifths of the Banks' customers are peasants possessing less than 6 deciatines of land, that is to say just those who, as we have shown, have most need to be provided with land.

(b) *Work of the Land Commissions.*

In the previous sections we have reviewed the work of the land commissions, partly in respect to farm readjustment properly so called, and partly in respect to their co-operation in the sale of the land reserve of the Peasants' Bank. We shall here touch on another duty with which they are entrusted, namely: the sale to the peasants of a portion of the Crown Lands (Domains), placed at their disposal by ukase dated August 27th, September 9th., 1906.

The commissions have themselves to settle in all their details the conditions for the sale of these Crown Lands: 95 % of the price of sale is to be paid off in instalments in 55 years, so that only one twentieth is paid in cash. And although this payment is reduced to a minimum, those peasants may be exempted from it who, after sale of their holdings, which were too small, to the commune at the date of readjustment, prefer to establish themselves as colonists on the Crown Lands, because the yield from the sale of their former holdings is generally too insignificant compared with the cost of removal and initial establishment on the new holding. Thus, the cash payments have in these years only been about 4 % of the purchase price.

Although it is not possible to compare these sales of the Crown Lands with those of the Peasants' Bank, yet they amounted, during the years 1906-1911, to 329,005 deciatines distributed among 57,243 peasants' families who had to pay altogether 32,532,284 roubles for them. The following table gives the details:

TABLE XVI.

Year	Holdings Ready for Sale	Conditional Sales of Crown Lands					
		Total		In <i>otroubs</i> or <i>khouor</i>		Total Area of Land Sold	Average Price per Deciatine
		Number of Pur- chasers	Decia- tines	Number of Pur- chasers	Decia- tines		
07 . . . . .	21,225	6,293	9,664	563	5,631	1,149,230	119
08 . . . . .	230,118	12,662	45,173	2,600	39,624	4,638,663	103
09 . . . . .	135,510	18,014	139,355	7,078	131,642	15,083,665	108
10 . . . . .	78,507	14,728	86,541	4,812	82,621	7,825,415	90
11 . . . . .	64,287	5,596	48,272	2,468	45,486	3,845,307	71
Total . . .	529,647	57,293	329,005	17,521	305,004	32,542,280	99

We now draw special attention to the very considerable proportion (2 %) of the land divided in holdings of a single piece (*otrouba*) or in holdings with buildings (*khouor*) formed or in course of formation in virtue of these sales. The following table shows that these operations have specially benefited the peasants insufficiently supplied with land.

TABLE XVII. — Land already Possessed by Purchasers of Crown Lands (1907-11).

	Individual Peasants	Rural Communes	Total
possessing no land . . . . .	42.4	3.5	15.4
possessing 0-3 Deciatines . . . .	28.3	16.7	20.3
" 3-6 " . . . . .	18.6	33.2	28.7
" 6-9 " . . . . .	7.3	19.0	15.5
" 9-15 " . . . . .	2.2	19.8	14.4
" above 15 " . . . . .	1.2	7.8	5.7
Total . . .	100.0 %	100.0 %	100.0 %



§ 5. OTHER OPERATIONS IN CONNECTION WITH THE WORK  
OF READJUSTMENT CARRIED OUT BY THE LAND COMMISSIONS.

In the course of carrying out the new land reforms experience shows that in order to accelerate the operation, two measures were necessary. 1st., small loans had to be granted for the initial establishment of those peasants who, possessing very little or no land at all at date of purchase could not benefit by the credit given by the Peasants' Bank, and 2nd., model and experimental farms had to be organized to show the peasants the advantages of the new system of farm readjustment in such regions in which the rural communes themselves had no practical notion of it.

In accordance with the regulations of November 17th.,/30th., 1908, the land commissions distribute their subsidies in money under the form of loans, not at interest, up to the amount of 150 roubles, repayable in five annual instalments, beginning with the 6th year. It is in fact a very efficacious system of assistance, since the cost of removal and initial instalment of the peasants generally amounts to between 200 and 500 roubles, according to the locality. We must not consider these figures from the point of view of Western Europe, where the monetary regime also prevails in agriculture, so that it would be out of the question to build new houses at such prices. It should be added that the land commissions are still able to assist peasants with loans in kind, especially providing them with cheap timber for building from the State forests; in this way among the Russian peasants, who are poor, but live to a large extent under the system of barter, new colonies are formed of a size and with a rapidity which would be inconceivable, in the case of the richest farmers of Western Europe, if only for financial reasons. It must be allowed that it is fortunate for Russia and not at all a mere incidental fact that the reforms have been commenced at this moment. A hundred years hence the monetary regime and the credit institutions prevalent in Western Europe will also prevail by natural force of circumstances on the Russian peasant farms and the rise in price of material and labour, as well as the increased needs, would render this work of reform, already in itself difficult, entirely impossible, on purely financial grounds.

Account must be taken of these special conditions if we are to appreciate at its real value the amount of 13,452,543 roubles, seemingly a small sum, distributed by the land commissions under the form of loans in 1907-11 (1).

Out of this sum, 147,640 peasant families received loans of an average amount of 100 roubles each to meet the cost of their initial establishment not including that of building material received at very low prices. It is true that 337,741 families applied for such loans and we shall see in the following section that the available resources of the commissions are insufficient.

(1) The Commissions further distributed 864,597 roubles as special subventions among 32,100 peasants.

cient to meet the requirements of the colonists for houses and other buildings.

At the same time, the land commissions, together with the zemstvo administrations, have provided for the organization of 2,652 farms to serve as models and 12,079 experimental farms, the zemstvo administrations having long exerted themselves in various provinces for the promotion of agricultural knowledge among the peasants. The amount directly spent for the purpose by the commissions in 1907-11 was about 7,000,000 roubles; in addition, out of the credit opened in 1911, 4,000,000 roubles were placed at the disposal of the zemstvos and the various agricultural associations for the work of land readjustment. We should also observe that the agricultural co-operative societies and the zemstvo banks, organized on mutual principles, find here a large field, open to them and their prosperous development in recent years is a new indication of the life-giving power of the new land reforms, the effects of which are felt throughout the whole field of agriculture. We must, however, refrain from here entering into the details of these special conditions, the rather as we shall continue to give a careful account of these indirect effects of the land reform in the *Bulletin of Economic and Social Intelligence* and shall be continually publishing them for the benefit of Western Europe.

#### § 6. SUCCESS OF THE FARM READJUSTMENT WORK CARRIED OUT UP TO THE PRESENT AND ITS CRITICS.

Our account of the salutary work of the land commissions has been far principally based on Russian official publications; and this has been intentional, as these publications, which give a quantity of statistical data and diagrams, showing the complete transformation of the Russian village by means of the work of the Commissions, have been up to this time utilised.

Although it is not to be imagined that there has been in our days an imitation of the famous villages of Potemkin, it still seems to us advisable to complete the foregoing study by giving the comments of the critics of the new land organization, and their remarks on the new development of the conditions of the land held by the Russian peasants. We shall first give the remarks of such critics as W. Ordinsky, W. A. Obolensky and A. Koeved, who have travelled through the provinces, visited the villages, spoken with the peasants and seen the surveyors at work, or again T. Stroganov, who passes his life among the peasants. No one could form quite certain conclusions with regard to a radical economic system of laws, whether in the realm of industry or in that of agriculture, without personally studying, in the midst of the infernal din of modern machinery, the technique of contemporary industry in all its phases or without having personally put his hand to the plough, furrowed the field with it and conducted the reaping machine across the meadow.

It is from this point of view we shall now study the work of the land commissions and if it is impossible for us to take the reader for a tour through Russia, we can nevertheless follow in thought the authors who have made investigations on the spot and have recorded the things they have seen.

The objections made by these investigators on the spot may easily be divided into two classes, according to their nature, objections on principle and practical objections. Let us first consider the former:

(a) The essential question of principle in regard to the whole problem was stated in the following terms by Prince W. A. Obolensky (1) at the end of his book above referred to: "Will the liberation of the individual peasants from the commune certainly last? What will become of the individual farms when at the death of the present owners they have to be divided among the heirs? Will there not be again subdivision and scattered lots?"

It cannot be denied that the prevalent system in other European countries and in North America, that is to say the free disposal of owners' rights over land has led to evils which attempt is being made of late years to remedy by means of laws that might be considered "antiliberal". We refer particularly to the special laws passed in America and France for the encouragement of *homesteads* and "undistrainable family holdings", by which endeavour is being made to assure the maintenance of farms of a certain area under all economic circumstances against the arbitrary arrangements of the respective owners. A precisely similar "servitude of the soil" existed in Russia, as the peasants or the communes, up to 1905, could only sell their land to others in certain very definite cases and their principal holdings, the *nadiel* lots could not be mortgaged. Does it not seem strange that at the very moment when the Western nations, with a peasant population certainly far more enlightened and educated than the Russian, find themselves obliged, so to say, to protect agriculture against the farmer themselves by the institution of a conditional right to property, Russia should follow the opposite course, affording, even in the opinion of favourable critics, the greatest freedom to the caprice of ignorant farmers?

The partisans of the new movement in Russia object that the experience especially of the Scandinavian countries and North Germany, has undoubtedly shown that the more perfectly and scientifically the peasants' farms are readjusted, the better they resist the danger of excessive subdivision or unscientific division among heirs. Even in countries where the permanence of the small farm is not legally assured, as in Norway by *Aasæde*, and in various parts of Germany by *Anerbenrecht*, that is to say by a succession law, by which the land passes to one of the sons under favourable conditions, the division of the inheritance is, according to the ancient customary law of the peasants, very seldom made in kind; the farm passes generally undivided to one of the sons and each of his co-heirs receives his share in money; generally the amount of these shares is less than the value of the land due to the coheirs, so that the farm may not be burdened by excessive charges.

(1) Agriculturist, member of the zemstvo, statistician.

and its permanence may be assured. Where these arrangements cannot be made, the farm is sold as a whole, and so passes intact to a new owner.

Making all allowance for the difference of legal and economic conditions, it is true that, as regards climate and the social system prevailing in the agricultural world, Russia has more affinity with the Scandinavian than with other European countries; but it is still to be feared that the Russian peasants are generally so attached to the ancient method of dividing land that when they find themselves entirely free to act as they please and no longer controlled by the *mir*, they will often subdivide the land itself among their children, or sell it in difficult years unscientifically divided. A whole literature has been written in Russia on the subject, which, in spite of its one-sidedness, seems to justify these fears, for incontestable proofs have not been wanting that there have already been instances of abuse of rights to too large areas of land, too suddenly acquired. We cannot, of course, go into the details of this discussion, which has assumed very large proportions; we must limit ourselves to reproducing the general impression of a practical and impartial observer. The summary conclusions to be drawn at the present state of this highly important question, may be expressed as follows: it seems undoubtedly best to limit to a certain degree the revision of the law on peasants' succession, the liberty of the peasants to sell and divide their land. Even in countries where the farming population have more liberty and have attained a higher intellectual level, it has been necessary, as recently in Denmark, to establish at least minimum limits for areas of parcels and of the principal holdings, when it is necessary in cases of inheritance, to proceed to the division of the land (1). Similar provisions, adapted to the conditions of Russian farms, far from restricting, would undoubtedly contribute to encourage the work of farm adjustment, so happily commenced in Russia, and to assure its success.

Especially as regards the right to contract loans on mortgage of nadiel land, the legal provisions now in force in Russia undoubtedly are an efficient guarantee against any abuse. Mortgages on nadiel land can only be registered in favour of the Peasants' Bank, which only grants loans for purchase of land or justifiable farm improvements or other profitable undertakings. Thus all the loans correspond with an increase in the value of the farm; in any case, the increase of the comparative indebtedness caused by divisions due to the law of inheritance or through unscientific methods of farming, which is possible in Western Europe, where land credit pure and simple prevails, seems almost impossible in Russia.

On the other hand, we may, with every reservation, consider probable that has been repeatedly observed by certain Russian authors, that the influx of the excess agricultural population to the towns will inevitably contribute, sooner or later, to increase the proletariat. Whilst the new agricultural reforms are opposed from this special point of view, it may be asked whether the old system of constant partition and the division of peasant

(1) The law of May 17th, 1897, in cases of subdivision, fixes the minimum limit of the farm at 4 to 8 ha., according to circumstances.

farms into scattered parcels were not still far more to be deplored and if it were possible, generally speaking, to maintain it. It must be allowed, on the contrary, that that system was maintained absolutely as long as it was possible from the economic and political point of view, and that it was quite time to abandon it. Besides, except for colonization of Siberia, it was impossible to introduce any other agricultural system than that prevalent in Western Europe, with, perhaps, a few modifications to which we have referred and which we have given the reasons for; for, in view of the limited area of land fit for cultivation and the general conditions for the existence of mankind on the earth, in consequence of the increase of population, there is no economic system which will never present defects and will not finally lead to serious difficulties.

(b) The most important objections raised with regard to the practical carrying out of the new agricultural laws may be summarised as follows:

It is said that, in general, the comparatively excessive rapidity, in view of the technical means available, with which the labours of the land commissions have been so far conducted, has often injured the work and so the surveying and readjustment is incomplete and will have, sooner or later, to be done over again.

Such haste in the conduct of the work will certainly diminish of itself and in the future the readjustment will be carried out at a normal rate.

Considerable advance, besides, has already been made in the surveying and readjustment. We see, however, that the specialists required for the technical completion of the work are still too few, so that it has often been necessary to employ as assistant surveyors young men who do not possess the necessary knowledge. It is rather to be wondered at that the members of the land commissions have been able in so short a time to acquire even elementary notions of the art.

The technical errors committed by the land commissions are mainly due to too great anxiety to satisfy the special desires of the peasants; this is besides, justifiable in localities where work of this kind is carried out for the first time, as it is very important, in order to give the first impulse to a new organisation and rouse the peasants from the indolence in which they have lived for centuries, first to awake their interest and render them conscious of the advantage of being freed from the unfavourable conditions under which they live, all of which is sometimes only possible on condition of accommodating oneself to the peasants' point of view and making some concessions to them. If too formal a course is pursued and only the technical requirements considered, without regard to the wishes and ideas of the peasants, there is often a risk of provoking general opposition and the complete arrest of the work of farm readjustment throughout the region.

In addition to what we have just said, the principal defects and difficulties met with in the practical carrying out of the reforms may be summarised as follows:

from the rule must be avoided by granting comparatively larger holdings of a single piece of inferior soil to correspond with smaller areas of soil of good quality or by having recourse to sale by auction.

(2) The new holdings are often of too oblong a form; this form, it is said, is given them in order that there may be an equitable distribution of the various kinds of soil, or in order that the parcels may be in immediate proximity to watercourses. Especially in localities where water is not abundant or where the water is at too great a depth underground for the sinking of wells (and this is one of the geological peculiarities of the Russian plain), the parcels must be arranged in the neighbourhood of brooks or streams.

(3) The peasants generally insist on the maintenance of common meadows and pasture lands.

(4) Roads, streams of water and the configuration of the soil render scientific distribution and the farming of the land difficult.

(5) Communication and traffic between villages are made difficult through the want of roads and the bad state of those existing.

(6) The studies for the water supply are made in advance, which again gives rise to a series of technical errors in the work of the new farm readjustment.

Nevertheless, it may now be stated, finally, that the new farm readjustment has everywhere promoted the progress of agriculture, whilst the tentative efforts inevitable in all first attempts have been quickly followed by work scientifically and technically more complete. And this gives ground for hope that the new reforms will soon lead to a general improvement in the conditions of existence of the Russian peasants and will contribute to assure them of certain prosperity in the more or less near future.

All the progress dealt with in this part of our study naturally suffers from the State having laid it down for all districts that the peasants must buy the farms necessary for their existence, granted them out of the Crown lands. And, since as a general rule the peasants have not enough ready money, the above principle is equivalent to an obligation for them to mortgage to the Peasants' Bank the land they possess or purchase, up to its full value. So the indebtedness of the peasants to the Bank has increased from 500,000,000 roubles at the commencement of the work of farm readjustment (1907) to 1,000,000,000 roubles. It is true that the manifesto of November 3rd./16th, 1905, relieved, as we have seen, the peasants of a total debt of more than 1,500,000,000 roubles; but it is evident that since then a new mortgage debt of more than 500,000,000 roubles has been incurred by them. Details relating to this matter will be found in our article in the number of the *Bulletin of Economic and Social Intelligence* for September, 1911, dealing with land credit and agricultural indebtedness in Russia.

Finally, it must be observed, we think, that, even without considering this drawback, the purchases of landed estates and their division among the Russian peasants, while considerable, will only suffice for a time to meet the increasing demand for peasant farms, as, in spite of the extraordinarily large area of land still available, the possibility of new purchase of land in Russia

in Europe is very limited and confined to special localities, for the peasant clearly can only round off their holdings with land adjacent to them and it is just in the regions where the need for increasing the holdings is greatest that land is least available; finally, the available land is in part situated where its utilisation for agriculture is impossible on account of the climate or the nature of the soil.

These considerations would lose nothing of their value, even were the proposals of the socialist deputies of the first Duma followed, and the large estates expropriated purely and simply. Even such a radical measure would scarcely succeed in improving, however little, the situation of the small farmer of South West and Little Russia, for it is just in those parts of the Empire, where the peasants most feel the insufficiency of their lots, that the large estates have only a comparatively small area. However it be, the large estates all considered, including the nobles' estates (in 1910 about 50,000,000 deciatines), would hardly suffice, in view of the rapid increase of the population to meet the need of land by the peasants, for the next fifty years.

Independently of the improvement of the method of farming, the peasants' land by means of intensive cultivation, there is only one means of meeting the difficulty: colonisation, on a large scale, of the vast waste regions of the Empire, especially in Central Asia and Siberia. The Russian Government has long understood this; and to crown its great work of farm readjustment, dating from 1906, it has organized the free immigration of peasants to Siberia, instituting a "Special Board" at St. Petersburg; at the end of the nineteenth century, this movement of immigration into Siberia had assumed considerable dimensions, owing to the distress of the small farmers in certain parts of European Russia.

This movement of the population, which is not only immediately connected with the Russian Land Reform of 1861, but must be, as far as can be foreseen, the final solution of the whole movement of the peasants and the question of peasant farms, deserves to be studied separately and with greater attention. Such a study, however, would exceed the limits of this section and we are obliged to refer our readers, for the details of chief importance to the well known *Mémoire* of MM. Stolypine and Krivosheine, of which a German edition has recently appeared (1).

(1) "*Die Kolonisation Sibiriens*" (Colonisation of Siberia), Berlin, 1912. Pauw.







